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AMENDMENTS TO THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT

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HEARING BEFORE THE SUBCOMMITTEE ON HEALTH BENEFITS AND LIFE INSURANCE OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE UNITED STATES SENATE EIGHTY-EIGHTH CONGRESS FIRST SESSION ON S. 1561

A BILL TO AMEND THE FEDERAL EMPLOYEES HEALTH
BENEFITS ACT OF 1959

JUNE 24, 1963

Printed for the use of the
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AMENDMENTS TO THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT

MONDAY, JUNE 24, 1963

U.S. SENATE,
HEALTH BENEFITS AND
LIFE INSURANCE SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 6202, New Senate Office Building, Senator Jennings Randolph (chairman of the subcommittee) presiding.

Present: Senators Randolph and Yarborough.

Also present: William P. Gullledge, staff director and counsel; and Frank A. Paschal, minority clerk.

Senator RANDOLPH. Good morning, gentlemen.

These hearings are convened so that the subcommittee may take testimony on S. 1561, a bill proposed by the administration to amend the Federal Employees Health Benefits Act.

The bill contains a number of minor amendments which would seem to be in the nature of removing certain inequities and simplifying the administration of the health benefits program.

It is the experience of the Civil Service Commission that during the 3 years since the effective date of the Health Benefits Act there have arisen certain problems which had not been foreseen and which, in the interest of equity and more efficiency in the administration of the act, have caused the Commission to feel that these matters should be brought to the attention of the Congress and, insofar as possible, resolved.

I will place a copy of S. 1561 in the record at this point.

(S. 1561 follows:)

[S. 1561, 88th Cong., 1st sess.]

A BILL To amend the Federal Employees Health Benefits Act of 1959

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3001-3014) is hereby amended as follows:

(1) Section 2(c)(3) is amended by striking the words "as a result of injury sustained or illness contracted on or after such date of enactment".

(2) Section 2(c)(4) is amended by striking the words "on account of injury sustained or illness contracted on or after such date of enactment".

(3) Section 2(d) is amended by inserting, after "stepchild", ", foster child,".

(4) Section 3(b)(1) is amended by inserting, after "or" in line six, "(C) the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1963, and ending with the date on which he becomes an annuitant, or".

(5) Section 6(d) is amended by the addition of a sentence reading as follows:

"The Commission may terminate the contract of any carrier effective at the end of a contract term, if the Commission finds that at no time during the pre-

ceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan."

(6) Section 6(f) is amended by placing a period after the word "contract" in the last sentence and striking the remainder of the sentence.

(7) Section 6(g) is amended by striking ", at the option of the employee or annuitant,".

(8) Section 7(a)(2) is amended to read as follows:

"(2) For an employee or annuitant enrolled in a plan described under section 4(3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge, except that if a nondependent husband is a member of the family of a female employee or annuitant who is enrolled for herself and family the contribution of the Government shall be 30 per centum of such subscription charge."

(9) Section 8(b) is amended by the addition of the following:

"Whenever a contract with a plan approved under section 4(3) or 4(4) is terminated, the contingency reserve credited to that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the premiums paid and accrued to the plan for the year of termination."

(10) Section 10(c) is amended to read as follows:

"Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted may, at his option, enroll as a new employee or have his coverage restored to the same extent and effect as though such removal or suspension had not taken place with appropriate adjustments made in contributions and claims."

Senator RANDOLPH. We are delighted that the first witness this morning is the Chairman of the Commission, the Honorable John W. Macy, Jr.

You are accompanied by the Honorable Andrew E. Ruddock, Director of the Commission's Bureau of Retirement and Insurance.

Chairman Macy and Mr. Ruddock, we are very happy to have you testify before the subcommittee at the beginning of this hearing.

STATEMENT OF HON. JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE COMMISSION, ACCOMPANIED BY ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE

Mr. MACY. Thank you very much, Mr. Chairman. It is a pleasure to appear before you again and to speak in favor of the enactment of S. 1561 introduced by Senator Johnston by request.

We appreciate very much your action and the action of the chairman of the full committee and the staff in calling these hearings to give us an opportunity to present supporting testimony for the bill.

As you indicated in your opening remarks, the primary purpose of this bill is to simplify and facilitate the administration of the Federal Employees Health Benefits Act and to remove certain inequities in its application which have become apparent since the inception of the program in July 1960.

Through hard work and with the cooperation of many people, inside and outside the Government, group health insurance for Federal employees has become a reality. In all essential respects the program is now functioning smoothly. In my judgment, it is fulfilling the significant purposes intended by Congress.

Some 2 million employees, plus 4 million family members, have voluntarily elected to participate and are finding that their health insurance plans are among the best in the country. This statute as

administered by the Commission has reached a desirable degree of stability.

However, experience in administering the act has revealed a number of unforeseen problems arising from operation of its provisions in particular circumstances. This legislative proposal is designed to solve these problems by perfecting changes in the statute.

By letter of May 8, 1963, to the President of the Senate, the Commission explained in detail the purpose and justification for this proposal. I suggest, Mr. Chairman, that the Commission's May 8 letter be made part of the record of this hearing.

Senator RANDOLPH. Mr. Chairman, thank you, that will be done. (The letter is as follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 8, 1963.

HON. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: The Civil Service Commission is submitting with this letter, for the consideration of the Congress, proposed amendments to the Federal Employees Health Benefits Act. The proposed amendments would remove certain inequities in the application of the act and simplify its administration. Enclosed are a draft bill, sectional analysis, and a statement of purpose and justification which, respectively, set forth, analyze, and give reasons for the proposed amendments. These state the nature of the proposals specifically and in detail.

The Bureau of the Budget advises that there would be no objection from the standpoint of the administration's program to submission of the draft bill.

A similar letter is being sent the Speaker of the House of Representatives.

By direction of the Commission,

Sincerely yours,

JOHN W. MACY, *Chairman.*

SECTIONAL ANALYSIS

Paragraphs (1 and 2) alter the meaning of the term "annuitant" in two situations so that it encompasses in the first instance an employee who receives compensation under the Federal Employees' Compensation Act and who is determined by the Secretary of Labor to be unable to return to duty and, in the second, a member of the family receiving compensation as the surviving beneficiary of a former employee separated after 5 or more years of service and who dies while receiving monthly compensation under the FECA and who has been held by the Secretary of Labor to have been unable to return to duty. We are eliminating the present date criterion, the phrase "on or after such date of enactment." However, those presently on the compensation rolls must return to duty as employees and enroll in order to carry their health insurance with them as annuitants.

Paragraph (3) adds foster children who are living with the employee or annuitant in a regular parent-child relationship to the list of family members who can be covered by the enrollment of an employee or annuitant.

Paragraph (4) provides that an employee who enrolled in a health plan up through December 31, 1963, who otherwise might be ineligible to do so, because he did not enroll at the first opportunity, may continue his coverage as an annuitant. This change would operate prospectively, applicable only to employees separating on or after date of its enactment. It would not apply retroactively to grant continued coverage to any former employee, separated for retirement prior to enactment date, who had no eligibility for health benefits coverage as an annuitant under the law then in effect.

Paragraph (5) permits the Commission to terminate the contract of any carrier at the end of a contract term if the Commission should find that during the preceding 2 contract terms the carrier did not have 300 or more employees and annuitants enrolled in its plan.

Paragraph (6) eliminates the review and approval by the Commission of the conversion contract required by the present law.

Paragraph (7) eliminates the present requirement of offering the employee or annuitant the choice of a cancelable as well as a noncancelable conversion policy.

Paragraph (8) corrects a technical defect in the present law whereby the Government contribution for a low-priced plan might be more than 50 percent, when the Government contribution established under section 7(a)(1) exceeds the minimum.

Paragraph (9) gives the Commission authority to credit the contingency reserve of discontinued plans to those plans remaining in the health benefits program for the contract term following that in which termination occurred. Each of the remaining plans is to be credited in proportion to the premiums paid and accrued for the year of discontinuance.

Paragraph (10) permits a reinstated or restored employee to enroll as a new employee or elect to remain in the same plan and receive indemnification for medical expenses incurred during the period of removal or suspension.

STATEMENT OF PURPOSE AND JUSTIFICATION

Our experience to date under the Federal Employees Health Benefits Act has revealed a number of problems which arise from the application of the act to particular circumstances, some of which were unforeseen prior to enactment of the law. The purpose of the proposed legislation is to solve some of these problems, remove certain inequities in the application of the act, and simplify its administration. No added Government costs will result from the proposed changes. They will instead produce minor savings, the amount of which cannot be estimated.

The proposals have been stated in the sectional analysis and the reasons for the amendments follow:

(1) and (2) are intended to eliminate termination of eligibility for health-benefits coverage where an enrolled employee becomes entitled to employees' compensation based on an injury suffered before enactment of the act. The compensable disability may remit and recur again and again. Each time the individual returns to the active rolls as an employee he is eligible to enroll as an employee and each time he goes on the compensation rolls he loses eligibility. This is unfair to the individual and complicates administration. The proposed amendment, by changing the definition of annuitant, would permit the employee enrolled under the Federal Employees Health Benefits Act to take his coverage with him, as an annuitant, when he returns to the compensation rolls.

(3) Customarily health-benefits insurers have included foster children in family memberships. They were not so included under the Federal program and the result was an increased cost of health benefits to some employees. Among cases which have come to our attention are those of three employees who are, respectively, rearing grandchildren, a niece, and a minor brother, whose parents are dead. In each of these cases the employee is precluded by State law from adopting children so closely related. In other cases employees are rearing children under preadoption agreements. The latent additional cost of covering foster children is negligible.

(4) Under present law an employee in order to continue coverage after retirement must have been enrolled for not less than the 5 years immediately preceding his retirement or must have enrolled during the first enrollment period. The Commission and other involved agencies made every effort to inform all employees concerning the health program. However, some employees, because of the newness of the program and a failure to comprehend the importance of initial enrollment, did not avail themselves of the first opportunity to enroll. The present amendment will enable those who enroll up through December 31, 1963, to keep their health plans after retirement.

(5) This provision would permit the Commission to terminate the contract of any carrier at the end of a contract period if during the preceding 2 contract periods the carrier did not have 300 or more employees and annuitants enrolled in its plan. There are currently (December 1962) 5 plans, with a combined enrollment of 538, whose contracts could be terminated under this proposed authority. The amendment here proposed would impose little, if any, additional workload upon the Commission. The costs of contract negotiation and settlement preparation of brochures, and other administrative processes and operations necessary for such plans are disproportionate to any advantage resulting from their inclusion as carriers.

(6) The present act requires a former employee or annuitant who elects to convert to a nongroup contract to pay the full periodic charges on such terms and conditions as are prescribed by the carrier and approved by the Commission. These terms and conditions are generally subject to regulation by State law. The Commission cannot well review all conversion contracts that can be offered

under State law. In many cases terms are specified, at least in part, by State laws and regulations, and cannot be altered by the Commission. Consequently review by the Commission does little to improve the conversion contracts and tends to limit the number of conversion contracts available to departing Federal employees to those which have been filed with the Commission and processed by the Commission's staff. The Commission will continue to provide in its contracts that carriers must offer conversion contracts which meet certain requirements of law and regulations, such as noncancelability and elimination of waiting periods.

(7) Present law requires that the employee or annuitant be offered the choice of a cancelable or noncancelable conversion policy. There have been no requests for cancelable conversion policies. Moreover, the protection offered by such a policy is somewhat illusory as it can be revoked at any time. Under the circumstances it would seem to be in the best interest of Federal employees to require only that a noncancelable policy be offered for conversion purposes. This would not prohibit a carrier offering the additional option of a cancelable policy if it so desired.

(8) The literal wording of section 7(a)(2) of the present law would require a Government contribution amounting to more than 50 percent when the lowest priced Government-wide option costs more than the minimum prescribed by law and the employee enrolls in a plan costing more than the legal minimum but less than the lowest priced Government-wide option. This does not appear to have been the intent of Congress. This amendment limits the Government contribution to 50 percent at most in cases of this sort.

(9) Two of the original plans have already discontinued participation in the Federal employees health benefits program. The present act makes no provision for the disposition of the contingency reserves of discontinued plans. The proposal herein made is, we feel, an equitable method of disposing of these funds. Each plan will be credited in proportion to the amount of its premiums for the year of discontinuance—which, roughly, reflects the number of persons covered by the plan.

(10) The present law provides that an employee who is removed or suspended and then restored to duty shall not be deprived of coverage and benefits for the interim period. To this end it requires appropriate adjustments in contributions, and claims. The proposed amendment would permit a restored employee to elect whether to have retroactive coverage, or to enroll as a new employee. Restored employees will not need or want retroactive coverage where their medical expenses during the period of removal or suspension are minor.

Mr. MACY. We are proposing nine changes in the act. Four of them will add benefits for employees. The remaining five will improve administration and correct a technical defect in existing law. More specifically, the amendments proposed will effect the following desirable changes:

1. Enrolled employees will be permitted to continue their coverage when placed on employees' compensation even though the injury giving rise to compensation benefits occurred prior to enactment of the Health Benefits Act in 1959.

At present the enrolled employee who goes on compensation based on an injury suffered before the 1959 enactment date loses his health benefits coverage, and he is not again eligible for coverage until and unless he returns to active employment.

Compensable disability may recur again and again. Each time the old injury forces the employee back on the compensation rolls he loses coverage. We propose to permit such an employee to retain his coverage while on compensation in the same manner as the employee entitled to compensation due to injury sustained after 1959.

Senator RANDOLPH. Chairman Macy, I think at this point it would be well to bring out a matter that has to do with the coverage of employees who are disabled and subsequently return to health or at least to partial health so that they go back to their jobs.

Now what coverage do they have during the period of their disability and how does the coverage compare with that which is given to the active worker through the health benefits program?

Mr. MACY. An employee disabled on the job is covered by the Federal Employees' Compensation Act for the period of his disability in accordance with the table of benefits set forth in that act and administered by the Federal employees' compensation organization.

At the present time, employees who are injured in line of duty and are disabled on a current basis continue to have coverage under the Health Benefits Act. The proposed amendment is intended to cover those who were injured and placed on compensation prior to 1959 and who because of the nature of their disability have returned to work and then have been forced off again because of disability.

It is our view that it is appropriate for that employee who had the injury prior to the passage of the act to have the same benefits as the individual who has been injured subsequent to the effective date of the act.

Senator RANDOLPH. Thank you, sir.

Mr. MACY. The second point relates to foster children.

Under the proposal, foster children will be included under family enrollments if living with the covered employee in a regular parent-child relationship. At present, adopted and natural children, but not foster children, may be covered under an employee's family enrollment. This places an extra burden on employees with foster children.

In line with practices of other large employers, who customarily include them in family memberships, we propose to class foster children as members of family for health benefits purposes.

Senator RANDOLPH. At this point, Chairman Macy, may we clarify if the health insurance programs outside the Federal Employees Benefits Act usually provide for the inclusion of this foster child relationship within the family policy?

Mr. MACY. The information we have, Mr. Chairman, indicates that where there are employer plans providing for health benefits or health insurance, the definition of "family membership" includes foster children as well as natural and adopted children.

The view is that the family that takes on, in a foster relationship, children that would otherwise be dependent should be in a position to consider those children within the coverage of their policy for health benefits.

Senator RANDOLPH. Then actually, Mr. Chairman, we would be extending to the Federal employees coverage which is usually enjoyed by non-Federal employees; is that true?

Mr. MACY. Yes, it is usually enjoyed. In other words, the standard definition of "family membership" encompasses the foster child along with the natural and adopted child.

The view is that the foster child is an economic dependent of the wage earner and should be covered as well as other children that are in a parent-child relationship.

Senator RANDOLPH. Presumably then, the State insurance codes would cover this?

Mr. MACY. That is my understanding. Perhaps Mr. Ruddock can give further background on this.

Mr. RUDDOCK. All the State insurance codes that we are aware of would permit this. I think this is primarily a situation in which

our Federal program has fallen a little behind the state of the art and we are proposing that we catch up with the private industry practice.

Senator RANDOLPH. I think that is true, Mr. Ruddock. I am grateful that you have determined after this period of time that there is a need to bring our Federal program into line on this feature.

Mr. MACY. I do not believe, Mr. Chairman, that this will result in a very substantial additional coverage so that it would have serious financial implications but there have been a few cases called to our attention and we believe that in improving the statute and meeting the needs of the Federal employees this is an additional coverage that is called for.

Third, employees enrolled in the program by December 31, 1963, will be considered as having enrolled at their first opportunity. Under present law in order to continue coverage after retirement the employee must have been enrolled for not less than 5 years immediately prior to retirement or must have enrolled at his first opportunity.

Despite every effort to inform them, many employees did not grasp the importance of enrolling at the first opportunity and those of this group coming up for retirement in the next few years will find themselves ineligible for continued coverage as retirees because of failure to enroll at the first opportunity.

Our proposed amendment will enable such employees who enroll up through December 31, 1963, to keep their health plans after retirement. The Commission is planning to have an open season this October during which any unenrolled employee may enroll. If he enrolls this October, or if he enrolled during the 1961 open season, and he retires within less than 5 years of the time he enrolled, but after enactment of this amendment, he will, under this proposed amendment, be able to continue his health benefits coverage after retirement.

Senator RANDOLPH. In connection with this provision and the proposed amendment, we would allow the employees to continue their health insurance coverage during their retirement if they enrolled prior to that last day; is this correct?

Mr. MACY. That is correct. What we are doing here, Mr. Chairman, is extending the first opportunity for those who will be retiring at an early age in the future—

Senator RANDOLPH. You are actually liberalizing, are you not?

Mr. MACY. That is right.

Senator RANDOLPH. And you feel that it is important at this time?

Mr. MACY. We feel that it is important because regardless of our efforts to inform employees it may be that there are some who have not been fully informed. If we do not take this further step of liberalization in defining first opportunity, it may be that some employees who are retiring in the early future will find themselves inadvertently without coverage.

We believe they should be extended this further period and that this would provide an opportunity during the so-called open season which we will have in October, at which time Federal employees will be permitted to enroll who have not enrolled in the past.

Senator RANDOLPH. They would then be given an opportunity to continue their insurance after they retire, is that true?

Mr. MACY. It would permit them to carry their present coverage into retirement. This is basically very liberal legislation in that it does permit the continuation of coverage after retirement.

The Congress recognizing this position took action in 1960 to provide health benefits coverage for those who had already retired and were not covered by the act, so our belief is that this amendment is in keeping with congressional intent to provide benefits of this kind for those who are retired.

Senator RANDOLPH. Chairman Macy, have you given consideration to the employees who have already retired and who would not be affected by this legislation? I am wondering if you would look with favor on a retroactive clause. Perhaps already you have contemplated this idea.

We know these people who have gone on the annuity rolls at least deserve consideration. Is that your thinking?

Mr. MACY. Yes, Mr. Chairman. I believe your question is most appropriate. There are those who have retired without taking advantage of this opportunity and if we are to extend the opportunity to those who are about to retire there would be logic and equity in considering the possibility of retroactivity. Ordinarily the Commission opposes any proposal for retroactivity on the grounds that this is not only administratively complicated but it poses perhaps a new set of inequities, but in this instance we would support the view that you suggest, that there should be an opportunity for those who have already retired and who failed to take advantage of this opportunity.

Senator RANDOLPH. Chairman Macy, I believe this would affect only a small group, is that true?

Mr. MACY. Very small number.

Senator RANDOLPH. Only those that have retired?

Mr. MACY. Only those that have retired since July 1, 1960.

Senator RANDOLPH. From Government service during the past 3 years?

Mr. MACY. That is correct.

Senator RANDOLPH. As you indicated, that would not be expensive?

Mr. MACY. It would not be expensive. There would be relatively few cases but it would provide for general equity, the objective that is involved in the amendment.

Senator RANDOLPH. Yes, I think it would provide a substantial benefit to a group of persons who are in the age group, frankly, where medical expenses are usually highest.

Mr. MACY. They are, indeed.

Senator RANDOLPH. I think it is a matter of equity and justice.

Mr. MACY. If it is the committee's desire that such language be added to this particular amendment, allow me to offer the assistance of the Commission staff to work on the language.

Senator RANDOLPH. That is very helpful. We will place it for consideration in the appropriate subsection.

Mr. MACY. Fine.

Mr. RUDDOCK. Mr. Chairman, might I make just one point?

Senator RANDOLPH. Yes, Mr. Ruddock.

Mr. RUDDOCK. If the committee is to give serious consideration to extending this liberalization to people who have already retired, we do believe that administratively it should be extended only to those who were enrolled in a health plan at the time they retired and that the opportunity be given to them to reinstate prospectively.

I think we should make no attempt either to initially enroll Federal employees who retired without ever having enrolled in a plan nor do I think we should attempt to consider that coverage has been in effect retroactively because you just can't go back and pick up all the loose ends of expenses and benefits.

Senator RANDOLPH. Mr. Ruddock, I believe that this and other matters can be worked out. I would suggest that you cooperate with the staff of the subcommittee in drafting an amendment so that I may discuss it with the other members.

Mr. RUDDOCK. I will do that.

Senator RANDOLPH. We can work it out, I am sure.

Mr. MACY. Fine.

Fourth, the Commission will be given discretionary authority to terminate the contract of any carrier at the end of a contract period if during the two preceding contract periods the carrier's plan had less than 300 employees and annuitants enrolled. The Commission does not now have this authority. It is needed. Generally speaking, the costs of contract negotiation and settlement, preparation of brochures, and other processes and operations necessary for such plans are disproportionate to any advantage in keeping them in the program as carriers.

Senator RANDOLPH. Mr. Chairman, in this connection the language—which we understand to be permissive—gives the discretionary authority to the Commission, and I understand that there would be no arbitrary cancellation of the contracts of the carriers?

Mr. MACY. No; that is correct. This would be discretionary authority which does not exist in the statute at the present time. The Commission, frankly, is concerned about the cost of negotiation and publicity and other administrative actions that are necessary in connection with the very small number of employees in certain carriers. It is our belief that the 300 figure represents a good outside number and that if we have this discretion that we would, of course, give every organization an opportunity to present its case before taking action, but it would give us this option if that appeared to be desirable.

Senator RANDOLPH. Mr. Chairman, it is understandable that a plan could be small but it should have the possibilities of growth, should it not? That is inherent in a good program, is it not?

Mr. MACY. That is true and that is why we feel there should be at least two periods of contract experience before this discretion was even considered.

Senator RANDOLPH. Do you have any figures that would indicate how many carriers would be affected by this provision?

Mr. MACY. Mr. Ruddock has.

Senator RANDOLPH. Mr. Ruddock?

Mr. RUDDOCK. At the present time, Mr. Chairman, we have five carriers who have had less than 300 Federal employees enrolled for two succeeding contract periods. We have two others in which during 1 year they had less than 300 but in the succeeding year moved above the 300 mark, obviously growing pains.

To answer your question directly, there are five in the category of having two contract periods with less than 300 employees enrolled.

Senator RANDOLPH. Mr. Ruddock, I believe that it would be well to have those five in the record.

Mr. RUDDOCK. All right.

Senator RANDOLPH. Is that agreeable? Have you at this time named them?

Mr. RUDDOCK. Yes, this is public information.

Mr. RUDDOCK. Bridge Clinic, Seattle, Wash.; the Western Clinic, Tacoma, Wash.; Medical Guild Health Plan, San Francisco; North Idaho District Medical Service Bureau, Lewiston, Idaho; and Physicians Association of Clackamas County, Oregon City, Oreg.

Senator RANDOLPH. Have you kept in touch with these five carriers? Have you given them information about what is happening or what the proposals are?

Mr. RUDDOCK. Yes, sir. We sent each one of these carriers a copy of an information release from the Commission announcing the Commission's intention to send up this legislation and itemizing the proposals which would be contained in that legislation.

So each of them has been notified of the Commission's intention to propose this discretionary authority.

Senator RANDOLPH. That is good practice. Thank you, sir. Sometimes, you know, we do fail to have proper liaison.

Mr. MACY. We believe it is very important that all these groups are fully informed.

Senator RANDOLPH. Keep the lines open.

Mr. MACY, can you give us an estimate of the administrative expense and the labor involved in supplying employees with the information necessary to publicize the plans, and does it cost as much to advertise a small plan as it would to advertise one of the larger plans of the health insurance carrier program?

Mr. MACY. Yes, we have that information. Would you like Mr. Ruddock to offer it at this time for the record?

Senator RANDOLPH. Yes, sir.

Mr. RUDDOCK. As you know, Mr. Chairman, the Commission and each of the carriers jointly writes a brochure describing the benefits of each plan. These brochures are printed, then they are distributed to employees to be used as a basis for their selection of a plan in which they want to enroll.

The brochures of the two Government-wide plans are distributed to every Federal employee. The brochures of the so-called comprehensive medical plans and all of the five with which we are concerned are in that category, are distributed to all Federal employees residing in the area served by that plan. Each of them operates in one geographic area. This means, just to use one example with one of the plans, it was necessary for us to have printed 165,000 brochures in order to be sure that the supply would be adequate to supply every Federal employee residing in that area.

That particular plan as of June 30, 1962, has a total Federal employee enrollment of 375. This means dividing the cost of printing of those brochures by the number of people who actually enrolled makes it just a little over \$40 per person.

In one other instance in one of these small plans the cost of the brochure per enrolled person was \$55.64.

Now if I might compare that with the largest plan participating under this program, the Government-Wide Service Benefit Plan, the cost of brochures divided by the number of enrolled employees means that the brochure cost 4½ cents per enrolled employee. So, as you can see, this is quite a range.

Senator RANDOLPH. Chairman Macy, and Mr. Ruddock, if we had a situation where you were going to eliminate one of these carriers, the persons who belonged to that plan, it could be a small plan, let us say, which you believe should be eliminated, these employees who are members of that plan, would they have the opportunity to go into other plans?

Mr. RUDDOCK. Yes; they would. In fact, the arrangements that would be made would be such that the employees would have an opportunity to be enrolled in another plan and have their coverage begin simultaneously with the terminating of their coverage under the plan being discontinued. There would be no hiatus in coverage.

Senator RANDOLPH. There would be no time lost?

Mr. RUDDOCK. No, sir.

Mr. MACY. We would be certain that no employee suffered as a result of termination and shift to another plan.

Senator RANDOLPH. Mr. Chairman, thanks for that assurance, because I think it is important.

Mr. MACY. It is, indeed.

Senator RANDOLPH. Let the record so indicate.

Proceed, please.

Mr. MACY. Fifth, Mr. Chairman, the Commission will no longer be required, as under present law, to review and approve the terms and conditions of nongroup conversion contracts offered by carriers to former employees or annuitants who elect to convert.

The terms and conditions of conversion contracts are generally subject to regulation by State law and the Commission cannot well review all the varieties of conversion contracts that can be offered under State law. Many contracts contain terms specified in whole or part by State law or regulation which could not be altered by the Commission.

Consequently, review by the Commission does little to improve conversion contracts and tends to limit the number available to departing Federal employees to those contracts filed with the Commission and processed by our staff. Our proposal will eliminate this unneeded review function, but the Commission will continue to provide in its contracts that carriers must offer conversion contracts which comply with appropriate basic requirements, such as guaranteed renewability and elimination of waiting periods.

Are there any questions you would like to ask, Mr. Chairman, concerning the fifth item? I hesitate to say the fifth amendment. [Laughter.]

Senator RANDOLPH. Still section 6.

Mr. MACY. The fifth proposal.

Senator RANDOLPH. Is it necessary, Chairman Macy, that the Commission have certain language in the act in order to assure the employee or annuitant that the conversion contract will comply with certain requirements of the health insurance program, such as the noncancelable feature?

Mr. MACY. Our feeling is that the present requirement where the Commission must review and approve the terms of every one of these conversion contracts really is more of a requirement than is necessary in view of the existence of State law and regulation and that in actual operation this tends to limit the options available to the employee because of the burden on the Commission in carrying out this view.

Now with specific reference to the cancelable conversion contract may I read the sixth proposal that relates directly to that?

Sixth, under this proposal there will no longer be any requirement that carriers offer employees and annuitants a cancelable conversion contract. Only noncancelable contracts will be required to be offered. The present law requirement that a choice between a cancelable and noncancelable contract be offered has proved meaningless in actual experience.

No cancelable contracts have been requested, evidently because of the uncertain protection they afford. Our proposed change will modify the act to require only that a guaranteed renewable policy be offered for conversion purposes. Carriers will remain free to offer the option of a cancelable policy if deemed desirable.

Now in response to your question I believe the act should be modified to require only a guaranteed renewable policy without giving the choice of a cancelable or noncancelable contract.

Senator RANDOLPH. Thank you.

Mr. MACY. Seventh, a technical defect in the law will be corrected to maintain the intent that the Government contribution not exceed 50 percent of the lowest priced Government-wide option. Present law is so worded as to require a Government contribution of more than this maximum where the employee enrolls in a plan costing more than the legal minimum but less than the lowest priced Government-wide option. The amendment we propose limits the Government contribution to 50 percent at most in cases of this sort.

This refers, Mr. Chairman, to section 7(A)(1) of the original statute. It might be helpful for the record if Mr. Ruddock were to explain with a specific example or two what has happened with respect to congressional intent on the matter of a maximum 50-percent contribution.

Senator RANDOLPH. Yes, Mr. Ruddock?

Mr. RUDDOCK. Under the law at the present time the Government contribution is fixed at 50 percent of the cost of the lowest option of the two Government-wide plans. This is the indemnity benefit plan and this means that the Government contribution is \$1.25 biweekly for self only.

Section 7(A)(2) says that if we have a plan that costs less than \$2.50 biweekly that the Government contribution will be 50 percent of the actual charge.

Imagine the situation in which the cost of the Government-wide option which is used as the basis for fixing the Government contribution, let's say came out at \$3 biweekly, so the Government contribution then would be \$1.50 across the board.

If we looked at section 7(A)(2), this would take care of a plan which cost less than \$2.50; but if we had a plan that was costing \$2.60 biweekly, then the Government contribution would be \$1.50 rather than what we think Congress intended, \$1.30 or 50 percent.

The purpose of our proposed amendment is to be sure that the Government contribution would not exceed 50 percent under any circumstances.

Senator RANDOLPH. You do not feel, then, as the health insurance costs go up, and these situations arise, that you could be called on to pay more than half?

Mr. RUDDOCK. I think that could very easily be, sir, but I think it is a question that should be considered on its own merits rather than

to have it come about more or less unintentionally by what we consider a virtual defect in the law.

The situation I have just described I believe is one not contemplated when section 7(A)(2) used specific dollar figures rather than to refer to 50 percent of the cost of the Government-wide plan.

Senator RANDOLPH. We are attempting to prevent this situation, are we not?

Mr. RUDDOCK. Yes; prevent it from happening unintentionally.

Mr. MACY. That is exactly it. On your question, Mr. Chairman, it seems to me that if there are conditions that develop that indicate that the Government should reconsider its policy with respect to 50-percent contribution, why then that should be reconsidered as a matter of public policy at that time.

Senator RANDOLPH. Thank you, sir.

Mr. MACY. Eighth, the Commission will be authorized to credit the contingency reserves of a discontinued plan to those other plans remaining in the program for the contract term following that in which terminations occur. Two of the original plans have already discontinued participation in the program and present law makes no provision for disposition of the contingency reserves of such discontinued plans. The proposal we are advancing will establish an equitable, orderly method of disposing of these funds. Each plan remaining in the program will be credited in proportion to the amount of its premiums for the year in which a discontinuance of one or more plans occurs. This formula will distribute the contingency reserve funds roughly in accordance with the number of members covered by each of the remaining plans.

I might add, Mr. Chairman, that the possibility of termination of programs was not a matter that was contemplated at the time the legislation was initially passed. We do have these two plans that have terminated and there is no provision to credit the contingency reserves in the statute at the present time.

Senator RANDOLPH. Mr. Chairman, at this time I think it would be helpful if you will tell the subcommittee if there is money in the contingency reserves. What amounts are contained?

Mr. MACY. Yes, I think we can give you the two examples and the amounts of money that are involved.

Senator RANDOLPH. Yes, I think it would be helpful to know what is in these reserves.

Mr. MACY. Mr. Ruddock.

Mr. RUDDOCK. The contingency reserves currently held in Treasury with respect to all the plans amount to about \$29 million. The contingency reserves with respect to the two plans that went out of business, one was a very small amount, \$1,000 or \$2,000. The other had a substantial contingency reserve somewhere in the neighborhood of \$160,000 to \$180,000. As the law currently stands, these two contingency reserves, the one of just a thousand or so and the one of \$160,000 plus will remain in Treasury invested in interest-bearing securities of the United States forever so that a thousand years from now we would still have contingency reserves in Treasury earmarked for plans that went out of business in 1961 and 1962.

Senator RANDOLPH. In other words, the money would not be just lying in the Treasury useless, would it?

Mr. RUDDOCK. Under our proposal it would be distributed to the continuing plans and of course the contingency reserves are available for the purpose of providing additional benefits or for the purpose of postponing or minimizing a necessary rate increase.

Senator RANDOLPH. Chairman Macy, in this connection I am advised by the staff that the Commission has a proposal which has not been introduced. It is in the form of a bill which would revert to the contingency fund a portion of 1 percent of the fee now designated for administrative expenses.

In other words, the contingency fund is maintained, as I understand it, to provide for improved benefits or to help defray the expenses of premium increase or other expenses that relate to health benefits.

Would you care to comment on this proposal? I have seen the correspondence. Perhaps this is the time to discuss it.

Mr. MACY. This proposal relates to the administrative expenses. I think Mr. Ruddock can give us the details on that.

Mr. RUDDOCK. The 1-percent overlay for administrative expenses produces in rough figures about \$3 to \$4 million a year. The administrative expenses of the Commission actually are running at about a million dollars a year so that we are not beginning to use the total amount being set aside for administrative expense.

Incidentally, the Appropriation Committees of the Congress fix annually a limitation on the amount that we can spend so that this is within the control of the Congress.

Senator RANDOLPH. Mr. Ruddock, would this require an amendment to the Health Benefits Act of 1959?

Mr. RUDDOCK. Yes, it would; and this would propose that the money not needed to defray administrative expenses of the Commission be distributed among the contingency reserves of the various plans and so become available either to provide additional benefits or to forestall rate increases.

Mr. MACY. The process would be generally similar to the one that we propose here for the distribution of contingency funds that have been terminated.

It would permit these funds to be used for the benefit of the plans rather than held for purpose in excess of actual need.

Senator RANDOLPH. We are considering here, to use a terminology which I think is correct, housekeeping proposals.

Mr. MACY. Yes, sir.

Senator RANDOLPH. I would like the record to reflect at least the subcommittee chairman's thinking in this instance. What is the correct name of your Bureau?

Mr. MACY. The Bureau of Retirement and Insurance, Mr. Ruddock's Bureau.

Senator RANDOLPH. You are to be complimented on the fact that you did not spend the money which, frankly, you could have spent.

Mr. RUDDOCK. Thank you.

Senator RANDOLPH. I want the record to indicate that this is, I think, a very significant contribution to good housekeeping in the executive department.

Mr. MACY. Thank you, Mr. Chairman. The Commissioners believe that Mr. Ruddock and his staff are very effective managers of this program as well as the retirement and life insurance programs that are under their jurisdiction. These are very important programs

to all of the Federal employees, they also involve a great deal of money and we believe they are directed very strongly.

The final amendment that we have to offer, Mr. Chairman——

Senator RANDOLPH. Just a moment. Is there any question, Senator Yarborough, that you would like to ask?

Senator YARBOROUGH. Well, I will have one or two before the witnesses leave.

Senator RANDOLPH. Thank you, Senator.

Go ahead, sir.

Mr. MACY. Ninth, an enrolled employee who is erroneously removed or suspended and then restored to duty will be given the choice of having his coverage made retroactive to removal or suspension date or of enrolling as a new employee. The employee now has no such choice and his coverage must be made retroactive, with an attendant adjustment of premiums and claims, if any, back to date of removal or suspension.

Our proposal will permit prospective enrollment by restored employees who do not need or want retroactive coverage because they had little or no medical expense during the removal or suspension period.

This, Mr. Chairman, we feel is again an exercise in commonsense, that we should not require the employee to pay the premium on a plan that he did not need to use during the period of removal or suspension, that he should be entitled to reenrollment plan of his choice upon restoration or to have retroactive coverage if he desires.

This is providing a further option for an employee who has been the victim of an erroneous administrative action.

Senator RANDOLPH. This is a voluntary feature, is it not?

Mr. MACY. Yes, sir; this would be a voluntary choice on the part of the employee.

Senator RANDOLPH. As I understand it, if the employee now on being restored to a position, decided that he did not want to take advantage of the retroactive coverage, he could come in as a new employee; is that correct?

Mr. MACY. That is correct, sir.

Senator RANDOLPH. Or he could, of course, pay the back premiums and receive that back coverage; is that correct?

Mr. MACY. That is correct. Those are the two options that would be open to him under this proposed amendment.

Senator RANDOLPH. Thank you, Mr. Chairman.

Mr. MACY. The Commission considers the proposed amendments to the Federal Employees Health Benefits Act embodied in S. 1561 to be both necessary and constructive, and we urge their early enactment into law. The administration has expressed its full support of this legislative proposal. Enactment of these changes will not result in any net added costs to employees or to the Government.

In fact, we anticipate they will produce minor savings in administrative expenses, the amount of which we are unable to estimate.

I thank you again, Mr. Chairman. Mr. Ruddock and I will be pleased to answer any questions that you or Senator Yarborough may wish to direct to us.

Senator RANDOLPH. I want the record to also reflect the thinking of the subcommittee chairman that it is heartening for the Committee on Post Office and Civil Service or perhaps for that matter, any com-

mittee here in the Congress, to receive from a department, or an agency, the recommendations for the improvement of the law which is upon the statute books.

Sometimes we fall into an understandable situation where the law is there and we are administering the law. The status quo is enough, but it is found that the law can be improved and corrective features are brought into being.

I compliment the Commission. Also, Mr. Ruddock, I compliment you on your special bureau for this indication of not only a resourcefulness but because when you find what has been happening, you dig into the facts. You have a determination not only to comply with the law, but to improve it.

Mr. Chairman, I commend both you and Mr. Ruddock.

Mr. MACY. Thank you.

Mr. RUDDOCK. Thank you.

Senator RANDOLPH. Senator Yarborough?

Senator YARBOROUGH. Thank you, Mr. Chairman.

I did not have an opportunity of hearing all the statement but I have read your statement, and the explanation of the amendments that would be brought about. I direct my questions particularly to amendment 8 which states that this amendment would correct an unintentional provision so that regardless of the cost of the plan the Government's share will never exceed 50 percent.

Now I worked very diligently on the original law that you know went to conference with the House. We had a number of executive sessions.

I felt the Federal Government was lagging far behind private industry and leading State governments in the larger cities and large corporations, and many small ones had helped in hospitalization plans before the Federal Government did.

It was my understanding that this was providing a plan for 50-50 participation by the Federal Government and the employees.

Now the representatives of one employee organization have given me some figures within the past 2 weeks, I will say, in which they stated that the Federal Government participation is running 38 percent and the employee participation is 62 percent of the cost.

What are the facts, what percentage of the cost of this program is being borne by the Federal Government and what percentage is being borne by the employees?

Mr. MACY. Mr. Ruddock.

Mr. RUDDOCK. The figures given to you by the employee organization are correct. The Federal Employees' Benefits Act provides that the Government contribution will be 50 percent of the cost of the low-option coverage of whichever of the two Government-wide plans offers the least expensive option, but 80 percent of the Federal employees have chosen a high-option coverage that provides greater benefit and naturally costs more. Under the law the Government contribution for a person who enrolls in high option is still the same as if he had enrolled in low option; he pays the balance of the cost himself so that this does work out that overall the Government is paying approximately 38 percent of the cost and the employees 62.

Senator YARBOROUGH. I do not believe the committee realized at the time it was enacted the employee would be paying such a high percentage of the plan, I certainly did not. It was never discussed

and I don't believe it was generally understood then that the employees would be bearing that disproportionate, to me, high share. I would like to ask that there be furnished to the committee a comparison of this cost of health insurance to the employees with the cost and the proportionate share of the employees in the 100 largest corporations in America.

I think you can readily obtain that, can you not, from the Bureau of Labor Statistics?

Mr. RUDDOCK. I am not sure we can, sir. We will certainly try.

Senator YARBOROUGH. I see no haste in that the Government share shall never exceed 50 percent when it is only reaching 38 percent now. What correlative protection are you putting in here that the employees' share shall never exceed 50 percent? I believe in protecting the Government, but I believe in protecting the Government employees, too; they are part of that Government.

I think it is all one—the people are all one; the Government, the employees, and the people are employees. I think that you ought to give serious consideration to the boundaries of the thing.

Mr. RUDDOCK. Chairman Macy has testified, Senator Yarborough, that this particular proposal is one of suggesting that this not come about unintentionally, but Chairman Macy has also suggested that the question of what should be the amount of the Government contribution could very well be discussed separately as a policy matter.

Senator RANDOLPH. Senator Yarborough, Chairman Macy did this in his testimony.

Senator YARBOROUGH. About what the Government participation should be?

Mr. MACY. The issue involved in the amendment you cite was one referring back to the principle intended by Congress in the enactment of the Government's share not to exceed 50 percent.

We were addressing ourselves solely to that requirement. I think that the issue of the relative contribution of the Government and the employees, could be reopened, and this is a matter of public policy that we might very well discuss.

Senator YARBOROUGH. If you are going to open here the question—it seems to me that this bill opened it by this provision—that it appears to me, Mr. Chairman, that this is the proper time and the proper bill to go into the matter of how much would be contributed by the Government and how much by the employees.

Mr. MACY. I believe that there is a bill introduced that would address itself to the issues that you cite; namely, the relative contribution of the Government and the employee.

Senator RANDOLPH. That legislation is before our subcommittee.

Senator YARBOROUGH. It might be a good thing to put the two together.

Senator RANDOLPH. Yes, sir; we can discuss that.

Senator YARBOROUGH. Insert that later so justice can be done.

Mr. MACY. We will endeavor, Senator Yarborough, to secure the information that you request so that will be a part of this record.

Senator YARBOROUGH. Thank you.

Thank you, Mr. Chairman. I will read the record. I was unavoidably called away to another matter.

Senator RANDOLPH. Thank you, Senator Yarborough, for bringing this element into the discussion. We will, I am sure, be helped by the

figures which I am reasonably certain can be brought to this subcommittee.

Senator YARBOROUGH. Or if you do not have that exact number, a relative number, 40, 50, 60. I think in the Library of Congress, one survey was 104 of the largest corporations and another was 48. Just whatever bracket they fall in, not in the exact number of a hundred but they have brackets of a certain number of employees.

If you can get those statistics, I believe it would be very helpful to this committee.

Mr. MACY. We will endeavor to get a large enough number of companies to have a valid comparison.

Senator YARBOROUGH. Thank you, Chairman Macy.

(Subsequently the following communication was received:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., July 12, 1963.

Hon. RALPH W. YARBOROUGH,
U.S. Senate.

DEAR SENATOR YARBOROUGH: During the hearings on S. 1561 held on June 24 before the Health Benefits and Life Insurance Subcommittee, Senate Post Office and Civil Service Committee, you asked the Commission to provide you with certain data relating to private employers' contributions to employee health benefits programs.

Accordingly, we requested the Bureau of Labor Statistics to assemble the most recent available data showing expenditures by representative firms for such programs and the relation of their expenditures to the total net cost of the programs.

I am enclosing this tabulation. The Government's average monthly contribution to the Federal employees health benefits program is \$5.77.

If I can be of further assistance to you, please let me know.

Sincerely yours,

JOHN W. MACY, *Chairman.*

COMPANIES WHOSE HEALTH INSURANCE PLANS ARE INCLUDED IN BLS TABULATION OF EMPLOYER'S MONTHLY EXPENSE FOR SALARIED EMPLOYEES HEALTH INSURANCE FOR 45 LEADING COMPANIES, 1961-62

Manufacturing:

Aluminum Co. of America.
Boeing Aircraft.
Borden Co.
Cannon Mills.
Caterpillar Tractor.
Cluett Peabody.
Consolidated Paper.
Douglas Aircraft.
E. I. du Pont de Nemours.
Eastman Kodak.
General Foods.
General Motors.
Goodyear Tire & Rubber.
Great Atlantic & Pacific Tea.
Gulf Oil.
Hart, Schaffner & Marx.
International Business Machines.
International Harvester.
International Shoe.
Kimberly Clark.
Libbey-Owens-Ford Glass.
Mead Johnson.
New York Times.
Radio Corp. of America.
Scott Paper.
Sperry Gyroscope (Division of Sperry Rand).
Swift Co.
Thompson-Ramo-Wooldridge.
Time.
Union Carbide.
United States Steel.

Nonmanufacturing:

American Telephone & Telegraph.
Chase Manhattan Bank.
Consolidated Edison Co. of New York.
Detroit Edison.
Gimble Bros.
W. T. Grant.
Greyhound Corp.
S. S. Kresge.
Lerner Stores.
Northwestern Mutual Life Insurance.
Pennsylvania Railroad.
Research Institute of America.
United Air Lines.
United States Lines.

NOTE ON SELECTION OF PLANS

The Bureau of Labor Statistics tried to derive from the latest annual financial reports (form D-2) filed under the Welfare and Pension Plans Disclosure Act the relevant health insurance cost data for each of the plans in its forthcoming digest of the health and insurance plans for salaried employees of 50 major companies.¹ These companies were selected as the leading firms in each industry. Because many companies did not report separately the net premium paid for health insurance, it was necessary, for purposes of this tabulation, to substitute data reported by other large companies in the same industries.

In the time available for this compilation, only 45 companies were covered. A list of these companies is attached.

¹ The Digest of Fifty Health and Insurance Plans for Salaried Employees, Spring 1963 (BLS bull. 1377), will be published early in the autumn of 1963.

AMERICAN INDUSTRIAL HEALTH INSURANCE PREMIUM COSTS

This report from the Bureau of Labor Statistics, in accordance with Senator Yarborough's request, shows the cost incurred by the employer for health insurance for employees in 45 American business enterprises, including 31 manufacturing and 14 nonmanufacturing firms. Of all plans, the employer pays more than 50 percent of the net cost of the plan in 33 cases, and less than 50 percent in 12 cases. In 12 cases, the employer pays the entire cost of the program.

The average contribution of the Government to the health insurance plans operating under the Federal Employees Health Insurance Act is \$5.77 monthly. Since the act became effective in July 1960, most Federal employees have taken advantage of the "high option" plan of insurance. Paid monthly, the employee enrolled for "self and family" in a "high option" Blue Cross-Blue Shield plan will pay \$12.61. The Government's contribution to his insurance is \$6.76. Of the total \$19.37 cost, the Government pays 34.9 percent. This is more than 3 percent less than the Government's average contribution to all plans, since its contribution to "low option, self-only" plans is exactly 50 percent. The Government's percentage of contribution to some other plans may be higher or lower, depending on the total cost of the plan (Aetna costs \$17.46 for "high option, self and family," which would increase the Government's percentage of contribution to 38.8 percent, while the Group Health Association of Washington, D.C., program costs \$28.36 for "high option, self and family" coverage, and the Government's contribution is 23.8 percent).

In view of the fact that the BLS report is based on "self and family" coverage (options not being mentioned), it appears that the insurance offered by the Federal Employees Health Benefits Act does not result in the same degree of fringe benefit as health insurance programs offered by the majority of firms listed in the BLS report.

Employer's monthly expenses for health insurance for salaried employees and their dependents: 45 large companies, 1961-62 ¹

Employer's average monthly expense for salaried employees ²	Percent of net cost paid by employer ³										
	All plans	100	90 to 99	80 to 89	70 to 79	60 to 69	50 to 59	40 to 49	30 to 39	20 to 29	None
All plans.....	45	12	4	3	3	2	9	2	2	4	4
None (employee pays full cost).....	4										4
Under \$3.....	8	1					2	1	1	3	
\$3 to \$5.99.....	9				1	1	4	1	1	1	
\$6 to \$8.99.....	3			1	1		1				
\$9 to \$11.99.....	4	2				1	1				
\$12 to \$14.99.....	5		3	2							
Expense not available ⁴	12	9	1		1		1				

¹ Based on latest financial report (form D-2) available from the Labor Department's welfare and pension plan disclosure file.

² Computed by dividing the number of salaried employees into the total expenditures by employers or health insurance benefits or salaried employees and their dependents.

³ Amount paid by employer as percentage of total net cost (premiums less dividends). Where such data were not available, the percent stated by the companies in other reports was used.

⁴ Includes 7 plans providing hospital, surgical, basic medical, and major medical benefits; 2 plans providing hospital, surgical, and major medical benefits; and 3 plans providing hospital, surgical, and basic medical benefits.

Source: U.S. Department of Labor Bureau of Labor Statistics, July 3, 1963.

Senator RANDOLPH. Before you leave, Chairman Macy, I know Mr. Paschal has one or more questions that he thinks should be asked, and I am delighted to yield to him for that purpose.

Mr. PASCHAL. Thank you, Mr. Chairman.

Mr. Macy, there has been pending before this committee for some time, not only in this session of Congress but others, proposed legislation which would tend to eliminate the so-called discrimination against female employees in the Government. There is a proposed bill or two now pending before this committee.

Under No. 7 in your statement, would that in your judgment take care of that proposed legislation or would it have anything to do with the elimination of discrimination against female employees?

Mr. MACY. No, Mr. Paschal; it would not. That is separate legislation with somewhat different objectives that you refer to. It has been introduced in previous Congresses. Generally, the Commission would support the intent in that legislation to equalize benefits for the woman worker who has conditions that are the same as the male worker who is head of the family.

Mr. PASCHAL. The Commission would not object to legislation that would do away with the complaint then?

Mr. MACY. No; it would not object. I believe, Mr. Paschal, that this is again a rather technical problem with respect to the health benefits program but we would be interested in working with you or other members of the committee staff in the drafting of language that would establish this purpose.

Mr. RUDDOCK. That item is included in Senator Carlson's bill, S. 761, which is currently pending.

Mr. MACY. I believe that bill is also before this subcommittee.

Mr. PASCHAL. I was wondering whether you thought number 7 would cover that?

Mr. MACY. No.

Mr. PASCHAL. I think Senator Carlson has another bill.

Mr. MACY. My view is that No. 7 does not, that we would have to deal with the matter that Senator Carlson introduced as a separate proposal for amendment, but it might very well be considered in conjunction with the amendments if that is the chairman's desire.

Mr. PASCHAL. Just one other question pertaining to these nine points that you have made.

If all of those were accepted, have you any figures as to what their cost, additional cost would be; or would there be an additional cost?

Mr. MACY. My testimony is that there would be no additional cost as a result of these changes and there conceivably could be some administrative savings because of the additional discretions that are called for in these amendments, so that this is one of those happy pieces of legislation that does not carry any additional cost to the Government.

Mr. PASCHAL. Thank you, Mr. Chairman.

Senator YARBOROUGH. Any further questions of the staff on either side?

Does that conclude your testimony, Mr. Chairman?

Mr. MACY. Yes.

Senator YARBOROUGH. We have a surprise visitor that we are all glad to see. We will pause for a moment here to introduce to the committee and those of the witnesses and the others present in the room His Excellency, the Ambassador of the United States of America to the Republic of Jamaica, the Honorable William C. Doherty. [Applause.]

Mr. MACY. Very glad to see the Ambassador here.

Senator YARBOROUGH. Mr. Doherty has been an influential person in Washington and is our first Ambassador to that new Republic.

We receive reports from other committees of the fine work he has done there and we are happy to welcome him back to the Capitol where he was a frequent witness before congressional committees.

I am certain that we must feel now that arduous as those views were, they were a drop in the bucket compared to the kind of reception that ambassadors get from the field of international relations.

Ambassador Doherty, we welcome you.

Ambassador DOHERTY. Thank you very much for that marvelous introduction.

(Discussion off the record.)

Senator YARBOROUGH (presiding). We will call as the next witness Mr. Joseph E. Harvey, the health benefits program of Blue Cross-Blue Shield.

Come around, Mr. Harvey. We are glad to have you.

STATEMENT OF JOSEPH E. HARVEY, HEALTH BENEFITS PROGRAM, BLUE CROSS-BLUE SHIELD

Mr. HARVEY. Thank you, Mr. Chairman, for this opportunity to express our views.

We do not have a prepared statement to submit this morning.

Senator YARBOROUGH. Just proceed as you wish.

Mr. HARVEY. Thank you.

The Blue Cross and Blue Shield organizations have reviewed the legislation at issue and we would simply like to be recorded as being in full support of all nine of the changes that are being proposed.

We consider them quite appropriate and feel that they will result in an improvement to the health benefits program. For this reason we have not filed a prepared statement. We wish to be recorded in full support of the legislation.

Senator YARBOROUGH. Mr. Harvey, do you know offhand what percentage of the Federal employees have subscribed to health benefits under this law?

Mr. HARVEY. Yes, sir.

Senator YARBOROUGH. Do you recall what percentage of those taking that protection took Blue Cross-Blue Shield? I believe Blue Cross and Blue Shield and one other company have sold more contracts than any other two, if I correctly understand; is that correct?

Mr. HARVEY. Yes, sir; that is correct.

Senator YARBOROUGH. Do you recall now what percentage have taken Blue Cross and Blue Shield?

Mr. HARVEY. I believe that the current percentage of those who have enrolled in any of the plans is about 55 percent for Blue Cross and Blue Shield.

Senator YARBOROUGH. Blue Cross and Blue Shield. Now, this plan became effective in 1960. Do you have any figures on how much hospitalization costs have increased in the intervening 3 years since then? This may not be exactly on the bill but this is too good an opportunity to get statistics here to study this problem to pass it by.

I see you and the Group Health Association of America, Health Insurance Plan of Greater New York, and all the representatives—you have most of them covered right here in the room.

Mr. HARVEY. If the committee will accept these figures off the top of my head, sir—

Senator YARBOROUGH. A rough estimate.

Mr. HARVEY. To the best of my knowledge, the costs of the health insurance under Blue Cross and Blue Shield have been increasing for

the Federal employee program at approximately 7 percent a year. This is slightly lower than the national trends in cost increases.

Senator YARBOROUGH. What I am driving at is not the total cost but the cost of hospitalization per day, all medical care per day, has that been going up averaging over the country 7 percent a year?

Mr. HARVEY. Yes.

Senator YARBOROUGH. So the average cost of a certain type of hospitalization, say you have a hernia operation, all costs for the same number of days and the same care would be 21 percent higher than it was 3 years ago; is that correct?

Mr. HARVEY. This would surely be true in some areas and in some hospitals. Obviously my 7 percent refers to averages.

Senator YARBOROUGH. Now, there has been no change in the health and hospitalization plans, the cost of that during that time, has there?

Mr. HARVEY. No, sir; there has not.

Senator YARBOROUGH. That means additional cost goes up, is no automatic escalated clause where the Government goes up as the cost rises?

Mr. HARVEY. In the Government-wide service benefit plan the employee is entitled to certain benefits regardless of their cost to Blue Cross and Blue Shield.

Senator YARBOROUGH. I recall them now; yes. Thank you. I had not looked at mine since I bought it.

Any questions by the staff?

There are no further questions. Thank you, Mr. Harvey.

Mr. HARVEY. Thank you.

Senator YARBOROUGH. The next witness is Mr. Cathles of the Aetna Life Insurance Co.

Does Aetna Life Insurance Co. have a representative here?

We will pass that over for the time being.

Next, Mr. Louis Feldman, staff representative of Group Health Association of America and the Health Insurance Plan of Greater New York.

STATEMENT OF LOUIS L. FELDMAN, CONSULTANT, GROUP HEALTH ASSOCIATION OF AMERICA AND UNDERWRITER, HEALTH INSURANCE PLAN OF GREATER NEW YORK

Mr. FELDMAN. Mr. Chairman and members of the subcommittee, I am going to speak from prepared notes because I have not had an opportunity to mimeograph a statement. I will identify myself and the organization. I want to speak in opposition to two of the proposals in S. 1561.

In identifying myself, I am Louis L. Feldman, consultant to Group Health Association of America, Inc., and underwriter to the Health Insurance Plan of Greater New York. Both organizations are dedicated to the provision of prepaid medical care through group practice.

GHAA is a nonprofit organization representing over 4 million people receiving medical and hospital care from its 25 active organization members. These plans are sponsored by labor, by cooperatives, and in the case of HIP, the community. In addition, GHAA is supported by other organizations representing the consumer interest such as the National Farmers Union, the Cooperative League of the

United States of America, and the International Association of Machinists and the United Auto Workers.

The HIP offers a community-sponsored plan and provides care through its affiliated medical groups to some 670,000 men, women, and children residing in and around New York City. It is qualified under section 4(4)(A) of the Federal Employees Health Benefits Act of 1959 and provides care under the Federal program for some 20,000 persons, consisting of 7,200 Federal employees and their families. HIP is an active member of GHAA and is dedicated to the principle of prepayment through group practice.

This mechanism of providing for the health of the people was described by President John F. Kennedy in his message to the Congress on February 27, 1962, as follows:

Experience in many communities has proven the value of group medical and dental practice, where general practitioners and medical specialists voluntarily join to pool their professional skills, to use common facilities and personnel, and to offer comprehensive health services to their patients. Group practice offers great promise of improving the quality of medical care, of achieving significant economies and conveniences to physician and patient alike, and of facilitating a wider and better distribution of the available supply of scarce personnel.

The enactment of the Federal Employees Health Benefits Act of 1959 provided an enrollment incentive for the development of new and improved methods for meeting the health needs of the people. The Civil Service Commission, in qualifying plans for the first contract period, carried forth the intent of the Congress and encouraged every form of available medical care plan to apply for participation. Through the Commission's Bureau of Retirement and Insurance, directed by Mr. Andrew Ruddock, and within a short time period, a plan providing alternate choice of medical care programs was evolved and put into effect. Each employee residing in an area in which more than one plan was available had a choice. Upon his selection, the employee could have the coverage of the Government indemnity plan for which the employer contributed half the cost or could elect more complete benefits and to pay more, for the maximum employer contribution was related to the cost of the cheapest plan.

Mr. Ruddock, ably assisted by Mr. David Lawton, Mr. Solomon Papperman, and Mrs. Marie B. Henderson, for the section 4 plans accomplished an administrative miracle. I think, gentlemen, in all the years I have been in the field of administration I have never seen so superb a job well done. Despite the multitude of negotiations and the sheer complexity of providing information to each Federal employee as to the choices available to him, the program for all employees was in effect on July 1, 1960, the date set by the Congress.

I appear here today in opposition to the portions of the bill relating to the discretionary power of the Commission to discontinue a contract with a plan whose enrollment is below 300 and after a plan has been participating for 3 contract periods. I also wish to make some comment about the use of the contingency reserves.

I respectfully submit for your consideration that amending the legislation to permit termination of a plan that over a 3-year period has not gained the participation of at least 300 employees, their spouses and children should not be considered in relation to administrative cost but in its effect on the employee who has elected the plan and in the enrollment incentive for the development of group practice programs in areas where there are relatively few Federal employees.

To digress for a moment, I submit that under the existing legislation any Federal employee who elects a plan other than the Government-wide indemnity plans pays out of his own pocket 1 percent of the total premium for administration. The participating group practice plans which provide a broad range of service benefits have higher premium costs. Employees with families who elected Group Health Association, the group practice plan here in Washington, D.C., pays some 30 cents a month for administration or some \$3.60 a year, while an employee with a family who elected the low option, Government-wide indemnity plan only pays some 7 cents a month or about 80 cents a year; the Government pays only the 80 cents for either.

The total monthly family cost, including the 4-percent surcharge—3 percent for reserves and 1 percent for administration—for the low-option Government-wide indemnity plan is \$13.52 a month; for GHA Washington, the high option—better benefits—cost is \$31.70 a month.

In each case the Government contribution is only \$6.76 a month for the family. The out-of-pocket cost for enrollment in the low-benefit plan is \$6.76 a month. The out-of-pocket cost for the enrollee who selected a more complete coverage and registered with GHA in Washington is \$24.94 a month. You recall, sir, that he gets \$6.76 contribution. His total cost is \$31 and change.

Senator YARBOROUGH. Is that the actual cost at this time?

Mr. FELDMAN. Yes.

Senator YARBOROUGH. Is that the man with the family?

Mr. FELDMAN. Yes, sir. I am relating a man who has one or more other people besides himself on the contract; namely, a wife or child.

Senator YARBOROUGH. What is the total maximum payments or the maximum hospitalization under that?

Mr. FELDMAN. GHA in Washington is 365 days. It is a full benefit.

Senator YARBOROUGH. And that is the actual division of cost at this time?

Mr. FELDMAN. That is right, sir.

Senator YARBOROUGH. Being paid under the Federal plan?

Mr. FELDMAN. That is right, sir.

Now to return to the question, a plan with 300 or less employees cannot, on this fact alone, be considered as failing to meet the needs of Federal employees. Group practice plans as well as other section 4 plans are local programs. Thus, a prepayment group practice plan serves people who reside in one or more localities usually quite limited in geographic area, and the payroll deduction problem exists only for those agencies with employees in that area. However, an employee organization plan under section 3 of the act enrolling throughout the Nation could have less than 300 employees for its coverage in any one local area.

As of December 1962, 2 of the 5 participating plans with less than 300 employees offered group practice benefits. These were the Bridge Clinic in Seattle, Wash., and the Western Clinic in Tacoma, Wash. However, in the health benefits reports for the year ended June 30, 1962, 8 section 3 organizations are reported with less than 20,000 employees enrolled. Three of these who enroll employees without regard to residence have an employee enrollment ranging from 2,270 to 5,510. It is highly probable that enrollment by any one of these

in the area comparable to that served by a section 4 plan would show an enrollment of less than 300. However, the way the provision is now written it would not affect such a plan because the aggregate enrollment would be over 300, although in any one area it would be less than 300. The administrative cost of procedures providing for employee election by all agencies in the Nation is considerably more for a section 3 than for a section 4 plan that only serves a local area where brochures only need to be distributed locally.

Even more important than factors of cost of excessive payment for administration by employees electing plans other than the Government-wide indemnity plans is the influence of the Federal program in encouraging the development of group practice prepayment in predominantly rural areas. The increasing shortage of physicians and the rapidly rising costs of medical care are causing community leaders to seek ways and means of encouraging the organization of group practice in the interests of providing effective quality care at reasonable costs. Under the present act, a newly formed plan can, if otherwise qualified, look forward to participating in providing care to Federal employees whether it be 50 or 200. In predominantly rural areas, the only sources of Federal enrollment are Post Office Department employees who at all times have a choice of the Government-wide program as well as their own employee organization plans.

We urge that this provision be deleted, the provision providing discretionary power to terminate a contract which has less than 300 employees, and that the present provision in the present act be continued without amendment. This would enable the further growth of group practice prepayment and would continue to provide a Federal employee with a choice of any qualified plan available in his area of residence.

The following is with respect to the proposed amendment (sec. 9 amending sec. 8(b) of the Federal Employees Health Benefits Act) on the distribution of contingency funds held for the account of a plan which discontinues participation under the Federal program: It is my understanding that the effect of the amendment as drafted would be that such funds would almost all accrue to the Government-wide plans, because with the great preponderance of enrollees, they contribute over 80 percent of the contingency reserve held by the Government.

It is suggested that the proposal be modified to provide that the funds remaining to the credit of a discontinued plan be distributed among the contingency reserves of the other plans in the same category. For example, if a plan under section 4(4)(a) discontinues participation, then the freed contingency funds should be credited to the other 4(4)(a) plans.

One last comment, sir, as to the administrative cost today which places a tremendous burden on the people who select the higher cost plans, rather than putting part of the administration allowances into the contingency reserve, whether it would be possible to consider a flat administrative charge rather than the percentage administrative charge.

A percentage charge automatically has a penalizing effect against people who select the more expensive plans. A flat administrative

charge would at least have the effect of charging everybody the same amount of money no matter who pays it.

I thank you, sir.

Senator YARBOROUGH. Does the staff have any questions?

Mr. Feldman, you have raised some very provocative points and I see that Mr. Ruddock with the Civil Service Commission is here. I want to ask him and ask the staff members to study these suggestions that you have made in relationship to the actual working of these different funds and these plans.

You have made what sounds to be a very reasonable suggestion on the distribution of these accumulated moneys, as to what should be done with them when the plan is terminated. I am asking both the Civil Service Commission and the staff of this committee to study all of your recommendations.

Senator YARBOROUGH. Now that figure you gave that some employees are contributing, what was the amount in dollars?

Mr. FELDMAN. I was quoting the cost here for GHA in Washington.

Senator YARBOROUGH. GHA in Washington?

Mr. FELDMAN. That is the Group Health Association in Washington, D.C. For a family member the total cost as set forth in the brochure of the Civil Service Commission is \$31.70.

Senator YARBOROUGH. For what unit of time?

Mr. FELDMAN. Per month.

Senator YARBOROUGH. Per month?

Mr. FELDMAN. Yes.

Senator YARBOROUGH. In other words, that employee is paying in something over \$370 per year?

Mr. FELDMAN. The total cost is that. The Government contributes toward that, sir.

Senator YARBOROUGH. Now give us the contribution.

Mr. FELDMAN. The Government contributes \$6.76 per month.

Senator YARBOROUGH. The Government is paying \$6.76 a month?

Mr. FELDMAN. Yes.

Senator YARBOROUGH. How much is the employee paying on that?

Mr. FELDMAN. The net cost is \$24.94 which is approximately \$300 a year.

Senator YARBOROUGH. The employee under that policy then, is paying in for himself, and the one or more, \$24.94 a month?

Mr. FELDMAN. Yes.

Senator YARBOROUGH. The Federal Government is paying \$6.76 a month?

Mr. FELDMAN. Right, sir.

Senator YARBOROUGH. For a total of \$3.70 into the cost of that?

Mr. FELDMAN. Right.

Senator YARBOROUGH. Thank you.

You have heard the testimony earlier of Mr. Harvey with the Blue Cross-Blue Shield that the average medical cost has gone up since 1960, 7 percent a year for a total of 21 percent over the last 3 years?

Mr. FELDMAN. Sir, I would like to add here in my capacity from the Health Insurance Plan of New York in the Federal program that our hospital experience was so low that last year we were able to provide

increased benefits to Federal employees without changing the payroll deduction or the total premium. This year we are increasing our hospital program which previously had been a 30-day hospital program low option—120-day high option—to a 70-day low option—365-day high option—without any increase in premium or in payroll deduction.

Senator YARBOROUGH. The question that I asked you did not pertain to the average health experience but to the cost of hospitalization where they had to have hospitalization.

Thank you a lot.

Our next witness is Mr. Jerome Keating, president of the National Association of Letter Carriers.

Mr. Keating, we welcome your appearance before this committee. After your recent bout in the hospital we are encouraged and happy to see you looking so well and so healthy.

STATEMENT OF JEROME KEATING, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. KEATING. Thank you very much.

Senator YARBOROUGH. I had the privilege of meeting the day before yesterday, on the banks of the Rio Grande, a number of the members of your organization, and you had some representatives of the national organization.

Mr. KEATING. Thank you very much, Senator. Mr. Lewis was with you and he told me of the very fine meeting you had.

I did take advantage of the hospitalization plan and everything worked out very well, I am happy to relate.

We are very much interested in the operation to health benefits program, inasmuch as we have the third largest plan operating under the Government program. The only two plans larger than the NALC health benefits plan are the two uniform plans operated by Aetna and the Blue Cross.

We are proud of the fact that our plan returned 90.5 cents out of every premium dollar to the members in the first 16 months of operation, and we paid \$23,080,600 in benefits.

We have carefully reviewed the provisions of S. 1561, and find them to be of a technical nature, and we are in support of the proposed legislation.

We want to commend the Commission because in many instances the proposals actually improve the plan and provide a little better benefits for some of the people under the operation of health benefit plans.

We would like to call your attention, however, to certain important facts in connection with the operation of the health benefits program. When the health benefits program was first established by the Federal Government, the generally agreed objective was to try to establish a program wherein the Government would pay 50 percent and the employees would pay 50 percent of the premium cost.

In a study made some time ago—as a matter of fact, in 1959—of 316 State, county, and municipal programs, in 121 of the plans, the employer paid 100 percent of the cost; in 137 plans the employer paid 50 to 88 percent; and in only 14 plans did the employer pay less than 50 percent.

Actually, under the Government employees' health benefits program, as you Senators have pointed out, the Government contribution amounts to approximately 36 or 37 percent. In our high option plan the Government contribution amounts to approximately 35.7 percent of the premium charges. We believe that the law should be amended so that the Government contribution would amount to 50 percent of the premium charges.

Under the law, the Government contribution has a minimum payment of \$3 per pay period in the case of family benefits. However, the Commission is permitted to pay as much as \$4.25 per pay period rather than \$3; \$3 is the minimum.

Under the present program, the contribution by the Government will not be raised by the Commission unless the premium is increased on the low-option plan of the Aetna Co. The present rate on the low option plan in the indemnity plan on which the premium is based is sufficiently high so that there is small likelihood that there will be an increase in premiums.

While the high-option plan in the indemnity plan returned 83.4 cents on every dollar, the low-option plan returned only 58.3 cents on the premium dollar. It is clearly evident that there is little likelihood of an increase in payment on the part of the Government, even though the percentage overall payment of the Government is far below the generally agreed goal of 50 percent.

In the meantime, the cost of hospital services is increasing rapidly. According to the Health Information Foundation at the University of Chicago, the cost of average hospital expense per patient in short-term general hospitals increased about 273 percent between 1946 and 1961.

This study, published in the May-June 1963, edition of "Progress in Health Services," stated that the average hospital expense per day amounts to \$34.98 for short-term general hospitals.

We would like to suggest to the committee that you give consideration to amending the law so as to place the contribution of the Government for payment of the premium on a flat basis rather than on a minimum and maximum basis, with a payment of \$2 biweekly for an employee or annuitant enrolled for self alone; and \$5 biweekly for an employee or annuitant enrolled for self and family, but not more than one-half the biweekly subscription charge for the enrollment. We think that it is extremely important that the committee give this careful consideration in connection with the operation of the health benefits program.

Now the provision I have talked of here is in bill S. 761, Senator Carlson's bill. Senator Carlson's bill also takes care of the discrimination against female employees. We recommend that this bill be amended by including the provisions of S. 761.

The health benefits program has been operated in a very fine manner by the Civil Service Commission. Mr. Ruddock and his staff who supervise the operation of the program have become experts in the field and have done an excellent job.

We believe, however, that it is extremely important that consideration be given to increasing the Government contribution to the premium cost.

We urge the inclusion of S. 761 in this legislation.

Senator YARBOROUGH. Thank you.

Senator Randolph, I think we should order that S. 761 be placed in the record since we have had so much discussion on it.

Senator RANDOLPH. I agree.

(S. 761 is as follows:)

[S. 761, 88th Cong., 1st sess.]

A BILL To amend the Federal Employees Health Benefits Act of 1959, with respect to the contribution made by Government toward health benefit protection for employees and annuitants and members of their families

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections 7(a) (1) and (2) of the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3006(a) (1) and (2)) are repealed, and a new section 7(a)(1) is inserted in their place to read as follows:

"(1) The Government contribution for health benefits for employees or annuitants enrolled in health benefits plans under this Act, in addition to the contributions required by paragraph (2) shall be \$2 biweekly for an employee or annuitant enrolled for self alone, and \$5 biweekly for an employee or annuitant enrolled for self and family, but not more than one-half the biweekly subscription charge for the enrollment."

SEC. 2. Sections 7(a) (3) and (4) of the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3006(a) (3) and (4)) are redesignated sections 7(a) (2) and (3) respectively.

SEC. 3. This amendment is effective at the beginning of the first pay period in the first contract period beginning more than ninety days after its enactment.

Senator YARBOROUGH. Any questions, Senator Randolph?

Senator RANDOLPH. Only that the cost of hospitalization, as you have indicated, has risen precipitously. We have been amazed and, of course, we have been sobered by the facts which come to the Special Committee on Aging of the Senate in reference to the rising costs of hospitalization. I may find it advisable, Mr. Chairman, to place in the record some of that information which we have received.

Senator YARBOROUGH. It would be very helpful to us on this committee, Chairman Randolph, if we have the benefit of what you learned on the other committee.

Are there any questions by the staff?

Any questions by minority staff?

(See pp. 32-33.)

Senator YARBOROUGH. Mr. Keating, I am requesting that the staff consider your recommendation in terms that S. 761 be incorporated in the present bill and both be considered and carried along together.

I want to ask the staff and also the Civil Service Commission of the staff to study the information, study the recommendation that you made in the next to the last paragraph on page 2 of your statement about the basis for the minimum and maximum pay in recommendations that you made. I ask that each staff study that.

Senator Randolph, I believe you were out while Mr. Harvey of the health benefits program, Blue Cross-Blue Shield, testified in connection with this increase in cost of hospitalization and medical care. His estimate was that it has gone up 7 percent a year since this program was enacted in 1960, a total of 21 percent in that 3 years. I do not mean the cost of this program to the Government but for actual days of hospitalization over the country, there has been an average increase of 7 percent a year in 3 years.

Senator RANDOLPH. Thank you for calling that to my attention.

Mr. John O'Connor is the next witness.

**STATEMENT OF JOHN F. O'CONNOR, LEGISLATIVE DIRECTOR,
UNITED FEDERATION OF POSTAL CLERKS, ACCOMPANIED BY
JOSEPH F. THOMAS, DIRECTOR OF ORGANIZATION**

Mr. O'CONNOR. Mr. Chairman, I am John O'Connor, legislative director, United Federation of Postal Clerks. I would like, if you will, to insert my statement in the record and make a few brief comments.

Senator RANDOLPH. Yes, your statement will be included in the record.

Mr. O'CONNOR. Mr. Chairman and members of the committee, for the record, my name is John F. O'Connor and I am legislative director of the United Federation of Postal Clerks. I am accompanied today by Mr. Joseph F. Thomas, former president of the United National Association of Post Office Craftsmen and now director of organization of the United Federation of Postal Clerks.

We are a merged organization composed of the former National Federation of Post Office Clerks, United National Association of Post Office Craftsmen and the National Postal Transport Association. We represent approximately 160,000 post office clerks. Our offices are located at 817 14th Street NW., Washington, D.C.

We endorse S. 1561, introduced by Senator Olin D. Johnston and feel that it is an extremely worthwhile bill, which corrects many technical problems in connection with the application of the Federal Employees Health Benefits Act of 1959.

We wish to thank Senator Johnston for introducing S. 1571. We also wish to thank Senator Randolph and members of the subcommittee for scheduling hearings on the bill.

Under the Health Benefits Act we operate a health benefits plan for post office clerks. At the present time, we have over 70,000 members in our plan and we would like to suggest certain amendments to the bill that we believe the subcommittee will consider desirable.

One is to eliminate the present section 7(A)(2) of S. 1561 and insert in lieu thereof section (1) of Senator Carlson's of Kansas, bill, S. 761, which would eliminate sections (7)(A)(1) and (2) of the Federal Employees Benefits Act of 1959, (5 U.S.C. 3006) and provides a new section 7(A)(1) to read as follows:

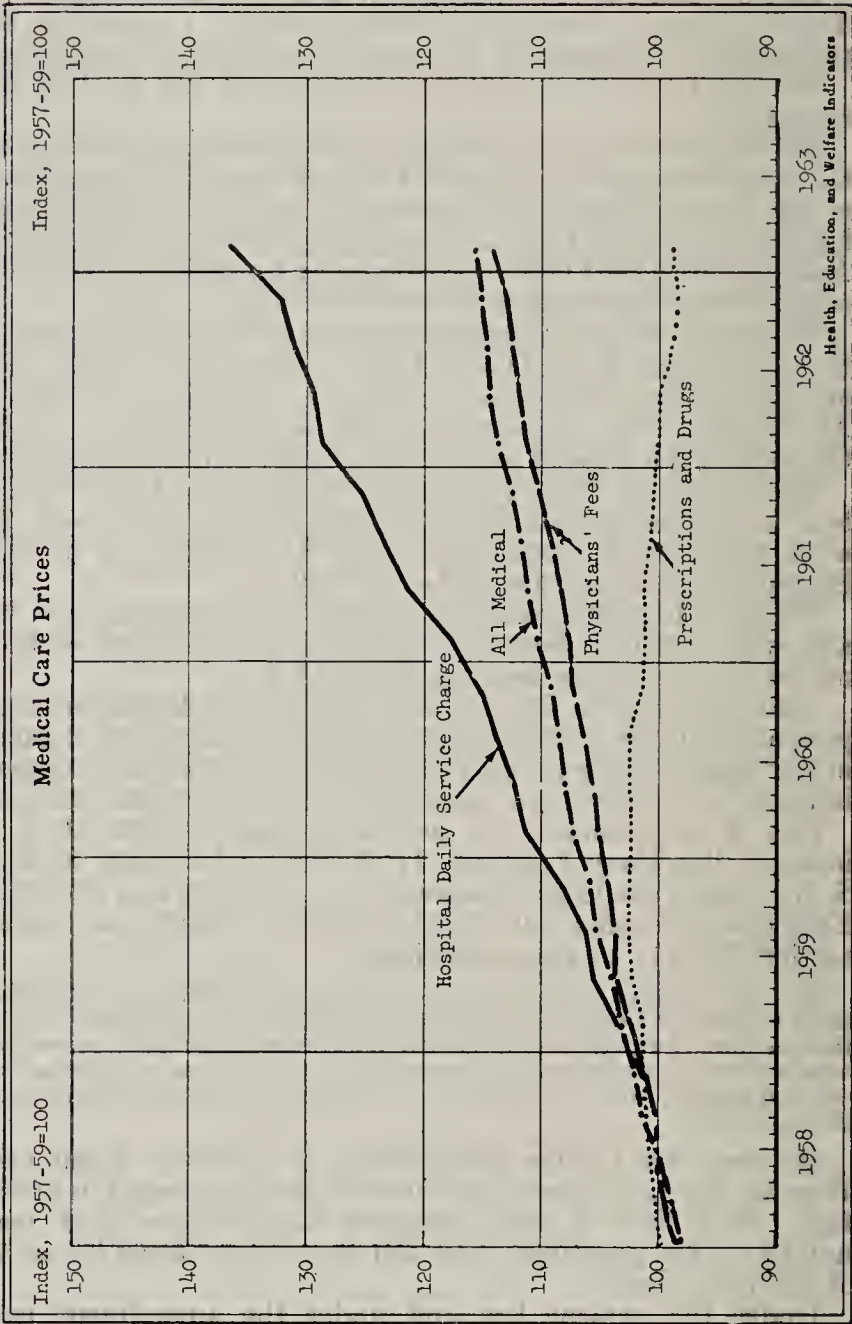
(1) The Government contribution for health benefits for employees or annuitants enrolled in health benefit plans under this Act, in addition to the contributions required by paragraph (2) shall be \$2 biweekly for an employee or annuitant enrolled for self alone, and \$5 biweekly for an employee or annuitant enrolled for self and family, but not more than one-half the biweekly subscription charge, for the enrollment.

We feel this change would bring the Federal Employees Health Benefits Act more nearly in line with plans operated in private industry. We believe in most instances the employer pays nearly all, if not all, of the premium costs and at no time drops below 50 percent of the total cost.

Under the present law and under the amendment proposed in S. 1561, it is possible that some employees would not get at least 50 percent of the premium paid by his employer.

MEDICAL CARE PRICES

The index of medical care prices rose 0.5 percent during the first quarter of 1963 and reached a new high of 115.8 (1957-59=100). The sharpest rise occurred in the hospital daily service charge, which rose 3 percent to a record high of 136.3.



Period	All medical care	Physicians' fees		Dentists' fees	Optometric examination and eyeglasses	Hospital daily service charges	Insurance		Prescriptions and drugs
		All	Obstetrical				Hospitalization	Surgical	
1940.....	50.3	54.5	43.6	60.1	70.8	25.4	-	-	59.3
1950.....	73.4	76.0	67.7	84.9	89.5	57.8	-	-	86.6
1951.....	76.9	78.8	72.0	87.2	93.6	64.1	59.4	-	89.1
1952.....	81.1	82.3	79.7	90.6	94.7	70.4	67.3	-	89.9
1953.....	83.9	84.5	81.4	92.5	93.7	74.8	72.7	-	90.7
1954.....	86.6	87.0	85.2	93.6	92.5	79.2	78.0	-	91.7
1955.....	88.6	90.0	90.8	94.6	93.1	83.0	80.1	-	92.7
1956.....	91.8	92.7	93.8	96.0	95.3	87.5	85.1	-	94.7
1957.....	95.5	96.7	97.3	98.2	99.0	94.5	90.1	-	97.2
1958.....	100.1	100.0	99.9	99.7	100.0	99.9	99.4	-	100.6
1959.....	104.4	103.4	102.8	102.2	101.1	105.5	110.5	100.5	102.2
1960.....	108.1	106.0	105.0	105.0	103.7	112.7	120.9	102.3	102.3
1961.....	111.3	108.7	107.3	106.9	107.0	121.3	130.0	106.9	101.1
1962.....	114.2	111.9	110.7	108.0	108.6	129.8	136.0	107.9	99.6
1961									
1st Q...	110.4	107.7	106.8	106.0	106.0	117.9	128.2	105.9	101.2
2nd Q...	111.3	108.5	107.1	106.8	107.1	121.6	130.2	107.8	101.5
3rd Q...	111.9	109.2	107.8	107.5	107.6	123.6	131.5	107.8	100.9
4th Q...	112.5	110.3	108.6	108.2	108.0	125.4	132.2	107.8	100.5
1962									
1st Q...	113.6	111.2	110.4	106.8	108.5	128.7	133.6	107.9	100.2
2nd Q...	114.4	111.9	110.7	108.0	108.9	129.4	136.6	107.6	100.0
3rd Q...	114.7	112.4	111.1	108.6	108.5	131.0	137.7	108.0	98.9
4th Q...	115.3	113.1	111.4	109.9	108.7	132.3	138.1	108.0	98.5
1963									
1st Q...	115.8	114.1	112.0	110.1	109.1	136.3	138.6	108.0	98.7

Source: U. S. Department of Labor, Bureau of Labor Statistics; Price Indexes for Selected Items and Groups, annual averages and quarterly indexes. See "Medical Care in the Consumer Price Index, 1936-56," Monthly Labor Review, September 1957. The consumer price index was converted as of January 1962 from the 1947-49 = 100 reference base to the new base 1957-59 = 100. 1/ Formerly designated "Hospital Room Rates." Includes charge to full-pay adult inpatients for routine nursing care, room and board, and minor medical and surgical supplies. 2/ Formerly designated "Group Hospitalization." 3/ December 1958=100. 4/ Limited to prescriptions (an APC or aspirin, phenacetin, caffeine citrate compound; elixir turpenthinate with codeine; and buffered penicillin) and over-the-counter drugs (aspirin tablets, milk of magnesia, and multiple vitamin concentrate) prior to March 1960, this prescriptions and drugs index was expanded by linking into the index prescriptions appropriate to each of seven end-use classes (anti-infectives, sedatives and hypnotics, ataractics, antispasmodics, antirheumatics, cough preparations, cardiovasculars and antihypertensives).

We would also like to suggest that section (8) (5 U.S.C. 3007) be amended by adding at the end thereof the following new subsection:

d(1) Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this Act, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.

(2) Except as provided in clause (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the premiums paid and accrued to the plan for the year of termination.

We believe this amendment is necessary in order to cover a situation that was not foreseen when the Federal Employees Health Benefits Act was first enacted. The situation we have in mind results when one or more organizations that operate health benefit programs merge.

In May 1961, there was such a merger between the National Federation of Post Office Clerks and the United National Association of Post Office Craftsmen, and in July of 1961 there was a further merger which resulted in the National Postal Transport Association merging with the two previously merged organizations, thereby forming what is now known as the United Federation of Postal Clerks.

Both the United National Association of Post Office Craftsmen (UNAPOC) and the National Federation of Post Office Clerks operated large and successful health benefits plans. Prior to and during the period of merger, the problem was discussed with the Bureau of Retirement and Insurance of the Civil Service Commission and largely on the advice of the Civil Service Commission it was agreed that the health plans of the United National Association of Post Office Craftsmen and the National Federation of Post Office Clerks would continue in operation following merger and until the next open period in October 1961, at which time those members enrolled in the plan of the United National Association of Post Office Craftsmen would be enrolled in the plan operated by the succeeding organization.

More than 79 percent of the members of what was the United National Association of Post Office Craftsmen health plan subsequently enrolled in the plan of the United Federation of Postal Clerks.

Reserves built up by the United National Association of Post Office Craftsmen's health plan were accumulated at the expense of those members belonging to the UNAPOC plan, the vast majority of whom now belong to the federation plan.

However, due to a technicality, which the amendment we propose seeks to correct, the reserve funds remain in a never-never land and probably will remain there indefinitely. We believe that this subcommittee should consult with the Director and the responsible officials of the Bureau of Retirement and Insurance with respect to this amendment and would hope that as a result of such consultation the proposed amendment will be incorporated in the bill ultimately reported.

We appreciate the opportunity of appearing before the committee and we are looking forward to an early report on S. 1561.

Senator RANDOLPH. Mr. O'Connor, will you please comment on the important sections.

Mr. O'CONNOR. Mr. Chairman, at the outset I wish to thank you and the members of the committee for the hearing. I also desire to thank Senator Johnston for introducing the bill. We endorse the bill.

We believe it will provide the means of correcting many technical problems. We have one or two suggested amendments, one of which Mr. Keating just read to the committee, a change in section (a)(2).

We have another amendment in connection with contingency fund or reserves which we would like to comment on also. I am going to ask Mr. Joseph H. Thomas, who is accompanying me here today, and who is the former president of the Association of Post Office Craftsmen, to read that portion of my statement concerning this particular amendment because he is quite familiar with the background concerning it.

Now we had a considerable number of conferences, or at least Mr. Thomas and Mr. Hallbeck, our national president, have had a number of conferences with the Civil Service Commission, concerning a problem which came about through the merging of our organization, the former National Federation of Post Office Clerks, the United National Association of Post Office Craftsmen, and the National Postal Transport Association.

Two of the organizations had operated health benefit plans, but at the time that the merger took place there was a considerable number of months left which the membership of both old organizations still had available to them membership in their old health plans, so as a result of the consultation the two organizations continued their health plans though there actually was but one organization.

I am going to ask Mr. Thomas to read that particular section of my testimony concerning our proposal.

Senator RANDOLPH. Before he does that, how many persons were involved in this changeover?

Mr. O'CONNOR. At that time, about 30,000. At the present time, our health plan has about 70,000 members.

Senator RANDOLPH. Thank you, sir.

Mr. Thomas, we would be glad to have you clarify or tell us.

Mr. THOMAS. With your permission, I would like to give you background. First of all, we are suggesting simply that the amendment would state:

Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this Act, be transferred to the plan sponsored or underwritten by the successor organization.

Now, the background of this is that at the time of the merger of the two organizations in May of 1961, each of them operated a plan separate. The members went together but after consultation with the Civil Service Commission it was decided that we would not merge the plans.

If we had merged the plans, it is obvious that the assets of the two plans would have gone together but we didn't merge the plans, we didn't foresee what was going to happen in the future. We didn't merge the plans, we let the smaller of the two plans run out. As there

was going to be an open enrollment period in October, just a matter of months, those members who were in the smaller of the plans were advised that they would now have an opportunity to go into the plan operated by the merged organization, the United Federation of Postal Clerks.

As a result, the Civil Service Commission tells us that 79 percent of those members who were in the smaller of the two plans decided that they would go into the larger one, and as a result of course, they moved from the lower plan into the bigger one.

Now when the final accounting of the smaller plan, the discontinued plan, was made, it was determined that a considerable surplus existed. Under the Civil Service Commission's own regulations, that surplus was taken and put into a contingency reserve which is now being suggested by this bill will be distributed among all organizations or all health plans.

As we see it, this contingency, which is in rough figures in the neighborhood of \$180,000 or \$190,000, will be distributed not to those who actually created it but it will be distributed to the employees who are in the Blue Cross, the Blue Shield, the Aetna and all of the other plans, many of them who have no connection whatsoever with our group.

So we are suggesting, of course, that the contingency reserve which has been created by our members be allowed to follow them, and we suggest that in the event of further mergers the same course be followed.

In other words, we are saying that if we were to merge with another independent clerks organization and there is a surplus in their plan or a liability, that the assets or liabilities simply follow the members.

We feel as though this is a reasonable request. I feel that if the Civil Service Commission is called back and asked about this, they may be in agreement with us.

Senator RANDOLPH. Mr. Thomas, it is not clear to me as to what happened to the small plan. Was it entirely eliminated?

Mr. THOMAS. We agreed with the Civil Service Commission that inasmuch as we had a larger plan we would simply let the people in the smaller plan continue their coverage until the new enrollment period which was in October of 1961. In other words, we simply let the plan go out of existence and then the members who were in it, 79 percent of them, moved into the new plan.

Now there was still the question of the reserves in the old plan and at the present time they are in a contingency fund which is credited to the old organization which is no longer in existence. According to the provisions of the bill, this reserve will be scattered everywhere and the members who built the reserve up will not actually share in it proportionately.

Senator RANDOLPH. Senator Yarborough, do you wish to question either of the two gentlemen?

Senator YARBOROUGH. I agree with the recommendation made. Since Mr. Ruddock is still here in the room, I would like to ask him whether the Commission has given consideration to this recommendation, had an opportunity up to this time?

Mr. RUDDOCK. Senator Yarborough, the legislation we sent up was contemplating a normal situation rather than a merger of two employee organizations. I believe Mr. Thomas would agree with me

that if at the time the merger of the two organizations occurred, that if either he or we had realized there were going to be substantial assets left in this contingency reserve, we would have proceeded on the basis of a legal merger of the two health benefit plans.

We were both under the impression at the time that the assets were going to be almost entirely depleted and that it would end up with approximately a zero balance and by far the easiest thing was just to let the plan go out of existence.

Our Commission auditors in auditing the accounts of the underwriter of this particular plan came across some charges to the contract which should not have been charged to the contract, so we end up with assets somewhere between \$160,000 and \$180,000.

I think Mr. Thomas' proposal is entirely fair. I think there is no way that we administratively can go back and rewrite history and say this was a merger of the two plans when in fact neither the organization nor the Commission treated it as a merger nor handled the accounting in that fashion at the time.

I think his proposal is eminently fair.

Senator YARBOROUGH. Thank you, Mr. Ruddock. I want to ask Mr. Ruddock, if this is agreeable with the chairman, that the staff of this committee and the Civil Service Commission use your staff, get together and write provisions that will permit that to be done so that this money will go back to the people who accumulated it rather than being spread.

For example, I am a subscriber under one of the two uniform plans, a larger one, open to individuals. I do not think it fair that we participate in this fund that is built up by other people out of their contributions. I think these funds ought to go to the groups that build them up and contributed.

Senator RANDOLPH. Senator Yarborough, I share your thinking in connection with that matter. I am sure there can be a proper drafting of the language to cover the suggestion which you have set forth.

That is all, unless Mr. Paschal has a further inquiry.

Mr. PASCHAL. No.

Mr. O'Connor. Thank you, Mr. Chairman.

Senator RANDOLPH. Senator Yarborough?

Senator YARBOROUGH. I just want to say that one unit of your Federation had a successful meeting in my State on Corpus Christi Bay last weekend and you were ably represented there last Friday by Mr. Dunn of your organization.

Mr. O'CONNOR. That is right. I talked to Mr. Dunn this morning and he told me that you ably represented the U.S. Senate there also.

Senator YARBOROUGH. Thank you very much.

Senator RANDOLPH. I assume from what the Senator said that he must have been there.

Mr. O'CONNOR. He was there.

Senator RANDOLPH. I join you in saying he was effective in his presentation. I am confident of that.

Senator YARBOROUGH. Thank you.

Mr. O'CONNOR. In connection with this amendment may I say that we appreciate the remarks of the chairman that a consultation be made with the Civil Service Commission. We feel that they will do the right thing and above all probably go along with this proposal because there will be mergers in the future and we should take some action at this time.

Thank you very much.

Senator RANDOLPH. Thank you.

Next is John McCart.

Mr. McCart, we are very happy to have you appear and your statement will be made a part of the record with the committee. We would be very happy to have you comment as you desire on pertinent points which you set forth.

**STATEMENT OF JOHN McCART, OPERATIONS DIRECTOR,
GOVERNMENT EMPLOYEES COUNCIL, AFL-CIO**

Mr. McCart. Thank you, Mr. Chairman. I am John M. McCart, operations director of the Government Employees Council, AFL-CIO. Our council consists of 25 unions representing Federal postal, classified, and wage board employees.

We want to express our appreciation to you, Mr. Chairman, and to the author of S. 1561, the distinguished chairman of the full committee, and to endorse the legislation pending before the subcommittee at the present time.

We would like to extend our commendation also to the Civil Service Commission, Mr. Chairman, for the fine job they have done in administering this act.

Senator Yarborough will recall particularly that at the time the legislation was pending before the Congress in 1959 there was some caution that because of the scope of this pioneering effort, as you are well aware, this is the largest plan of its kind in the Nation, if not in the world.

At that time such caution was well founded. However, years have passed and experience has shown the necessity for amending the act, particularly in the field of technical administration.

For these reasons, Mr. Chairman, we endorse the proposals embodied in this S. 1561.

I would like to suggest, however, that the committee give consideration to S. 761 introduced by the distinguished ranking minority member of the committee which would have the effect of increasing the Federal Government's contribution to the health benefits program 50 percent.

Now at the time this legislation was under consideration originally, there was considerable discussion about the employees and the employers sharing the cost of the program equally.

I alluded a moment ago to the note of caution that was found in the discussion at that time. As a matter of fact, I recall Senator Neuberger making a statement on the Senate floor that the sponsors of the legislation felt certain it would be necessary to amend it in the future but I think that the question of the contribution was one of the cautionary features of the legislation at the time.

Now there has been testimony this morning, Mr. Chairman, indicating that the Government now contributes an average of 38 percent to the health benefits program and, of course, the employees must assume the larger burden of an average of 62 percent.

S. 761 would correct this imbalance by enabling the Government to contribute approximately 50 percent to the cost of the health benefits program in most of the cases. The Civil Service Commission's report for the year ending June 30, 1962, in the operations of the health

benefits program, shows that some 5.9 million individuals covered under the plan, and of this total approximately 4.8 million were covered by the high option and the remaining 1.74 million were covered by the low option.

As a result, Mr. Chairman, of the formulas for contributions in the bill and the dollar amount for contributions under the law, there are more than 75 percent of the individuals covered who do not have a 50-percent contribution to their plan by the Federal Government.

As a matter of fact, it has been testified earlier this morning that that percentage is in excess of 80 percent. So we have by far the majority of the employees whose health benefit coverage the Government does not make a percent contribution.

The other feature of S. 761, Mr. Chairman, is to eliminate the inequity that exists for the wives of nondependent husbands. The law now states that the contribution of the Government in these cases will be 70 percent or a dollar formula, so the same kind of inequity that exists for the employees generally with respect to the Government's contribution exists here to a greater extent and S. 761 would correct this inequity.

There is little need, Mr. Chairman, for me to point out to the committee that the number of working wives in our population has grown tremendously. From 1950 to 1962, that number increased by more than 5 million. In addition, as you are very well aware, a serious effort is being made these days to remove any inequality between male and female workers.

For these reasons, Mr. Chairman, we heartily endorse S. 761 and urge its favorable consideration by the subcommittee.

I appreciate very much the opportunity of appearing before you and your patience in accepting our testimony.

Thank you.

Senator YARBOROUGH. Thank you, Mr. McCart. While you have condensed your statement here, I have read every line of your statement while you were here. I note that the first five proposals in this proposed act you wholeheartedly endorse—that is, S. 1561.

I want to request that the Civil Service Commission and the staff of this committee study your proposed amendments to the act.

I also want to join the chairman of this subcommittee in commending the Civil Service Commission for the efficiency with which it has administered the act. My comments about the imbalance of the payment was not a criticism of the Commission, it just arose under the operation of the law.

I think that ought to be corrected in connection with the question I asked earlier about the plans under the private corporations.

I want to note here a portion of Mr. Keating's statement where he stated that the study was made of the 316 State, county and municipal programs and that in 121 of these the employer paid 100 percent of the cost the health benefits program; 137 of that 316 government units paid 50 to 88 percent of the cost of the health programs and that of these 316 State, county, and municipal programs that in only 14 did the governmental agency pay less than 50 percent of the cost for the health program.

I do not think that the Federal Government should lag so far behind States and cities and counties in the health protection it gives to its employees.

I recommend that this staff and the Civil Service Commission urgently study this question with the idea of correcting that imbalance, bringing this up even to the full 50 percent. We would be lagging behind that particular 316 State, county and municipal health benefits programs in the country.

Thank you.

Senator RANDOLPH. Thank you, Senator.

Thank you, Mr. McCart, very much. Your statement will appear in full in the record.

Mr. McCart. Thank you.

(Mr. McCart's statement is as follows:)

STATEMENT OF JOHN MCCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES COUNCIL, AFL-CIO

Mr. Chairman, the Government Employees' Council consists of 25 unions with membership among Federal wage board, classified, and postal employees. As a coordinating organization it represents a significant cross section of Federal worker opinion. The purpose of our testimony is to endorse S. 1561, which provides certain technical amendments to the Federal Employees Health Benefits Act of 1959.

At the outset we desire to convey our appreciation to you and your colleagues on the subcommittee for arranging this hearing and to the author of S. 1561, Senator Olin D. Johnston, chairman of the full committee.

Enactment of laws is a dynamic process. Experience gained in the administration of most important statutes reveals the need for perfecting amendments as time progresses. This is the case with the bill under consideration today.

At the time the Health Benefits Act was approved, it was recognized that future changes would be required. When originally enacted in 1959, the statute represented a giant step forward in supplying Federal workers and their families with protection against the hazards of medical, surgical and hospital expenses. That is still the case.

In terms of individuals covered, the health benefits law has the greatest scope of any plan in the Nation. Through the system of employer-employee contributions, it has brought incalculable assistance to the families of Federal Government employees.

Now that 4 years' experience has been acquired in administering the program, the need for constructive amendments is clear. These represent circumstances which could not be foreseen when the law was enacted, or situations which could not be covered in 1959 because of the overriding importance of enacting a basic program to aid Federal employees at that time.

The proposals embodied in S. 1561 are the result of this experience.

1. Coverage would be extended to include foster children as eligible for family enrollment when they live with adults in a parent-child relationship.

2. Employees sustaining on-the-job injuries who are enrolled in the health program would be able to continue their health benefits, even though they receive payments under the Federal Employees' Compensation Act.

3. Where an individual covered by a health plan is suspended or removed and later restored to his job, he would have the option of resuming his former coverage retroactively or securing benefits as a new employee.

4. It will permit all individuals enrolling in the system by December 31, 1963, to be considered as having enrolled at the first opportunity in order to preserve their health-benefit rights during retirement.

5. The Civil Service Commission would be allowed to conclude the contract of a carrier which has less than 300 employees and retired employees on its records during the two previous contract periods.

In our opinion, these revisions of the Health Benefits Act are fully justified for the following reasons:

1. Foster children are not now eligible for health benefits, even though adopted children are covered. In many instances parents maintain foster children in a normal parent-child relationship with the understanding that adoption will follow.

Preceding adoption, however, the child's health needs must be cared for without the advantages of the health program. In the spirit of complete charity some adults raise the children of close relatives. In some States the foster parents may not legally adopt such children.

2. Existing law requires an individual to lose health benefits coverage if he receives compensation payments for a work injury which occurred before the health benefits statute was approved. Upon recovery from the injury and return to work, his original health coverage is restored. In some instances, individuals suffer recurrences of physical disabilities attributable to the on-the-job accidents, and the process is repeated.

The effect of the amendment is to permit the worker and his family to retain health benefits coverage for off-the-job illnesses, regardless of payments received under the Federal Employees' Compensation Act for injuries incurred prior to 1959. The individual worker injured after the Health Benefits Act became law is not confronted with this problem—his health insurance coverage remains unchanged.

3. Under the present statute an employee who is restored to his job following unjustified suspension or separation must accept health benefits coverage retroactively. The individual's option of resuming his previous benefits or enrolling as a new employee, could be beneficial to the employee in balancing premiums against claims and to the Government in eliminating unnecessary paper transactions.

4. The original Health Benefits Act required employees to enroll within a stipulated period to be eligible for benefits. In some instances individuals failed to meet the July 1960, time requirement. Present law requires also that an employee have 5 years of coverage before retirement in order to continue his benefits during retirement. With approval of the amendment these relatively few cases could be resolved equitably.

5. Since the administrative cost of continuing health benefits plans with a very small membership may outweigh the advantage of maintaining the plan, we have no objection to the proposal. While there has been discussion that this provision, if approved, would apply only to plans with fewer than 300 subscribers, section 9 of the bill refers to no specific figure.

In our opinion, section 6 of this bill removes from employees a completely valid safeguard. The present statute requires that an employee whose coverage is terminated be given an opportunity to convert to a nongroup plan.

It states further that the individual shall pay the charges for the nongroup benefits "on such terms or conditions as are prescribed by the carrier and approved by the Commission."

The effect of section 6 is to eliminate Commission approval of any rates charged individuals who transfer from group to nongroup coverage under these conditions. It is our contention that this protection of employees should not be discontinued.

Even though an individual leaves Federal employment, he should be assured that his health insurance rates are safeguarded. The available nongroup coverage flows from his Federal employment. If he acquires a plan from a new carrier following the termination of his enrollment in the Federal Government program, Civil Service Commission approval of that rate should not be expected.

In addition to the significance of this matter to the employee subscriber, there is its importance to young men and women who lose group coverage at age 19. In either case, the child may still be fully dependent upon the parent. Certainly it is in the interest of the Federal employee and the Government to ascertain that nongroup rates applicable to these cases do not become exorbitant.

Section 8 of S. 1561 proposes clarification of the language in the present law relative to contributions made to the program by the Government and the employees or annuitants. To that extent, the change is desirable.

However, section 8 fails to solve two other basic problems which have existed since the enactment of the health program.

At the time the legislation was under consideration, our council advocated that the Government and the employees share equally the premium cost of the plan. The discussion at that time indicated acceptance of this general principle. But the language finally incorporated in the statute applied the equal contribution principle to only some of the low-option health insurance plans available to employees.

Recalling the caution necessary in inaugurating a project of this scope, the restricted application of the equal contribution concept was understandable at that time.

However, the practical effect is that the Federal Government's share of the premium cost averages 38 percent for all covered subscribers—significantly less than one-half the total charge.

The Civil Service Commission's health benefits report for the fiscal year ending June 30, 1962, states that 5,853,060 individuals are covered by various plans under the program.

Of this total, 4,778,935 persons are entitled to preferred benefits under the high option. The remaining 1,074,125 are included in the low-option plans. Because of the dollar and percentage contribution formulas described in the present statute, the Federal Government's contribution fails to match that of the employee in all of the high-option plans, and a significant number covered by the low-option feature.

Thus, for more than 75 percent of the covered individuals, the Federal Government's contribution is less than one-half the total cost, and the employee must assume more than one-half the premium.

The second problem affects numerous women employed by the Federal Government. Under the present health benefits statute female employees and annuitants with nondependent husbands are entitled to have the Federal Government assume only 30 percent of the total cost of their health insurance. But the combination of dollar and percentage contributions described in the law results in the Government's defraying even less than 30 percent in most cases.

Consequently, the married woman with a nondependent husband must pay much more than one-half the total premium cost. The net effect is a serious inequity to these female employees because of their marital status.

Working wives are no longer a phenomenon in our society. From March 1950 to March 1962 the number of wives in the labor force increased by almost 5 million. Their participation in employment has become an accepted pattern.

Moreover, singling out this group of Federal Government workers for lower benefits than their coworkers constitutes a serious inequity at a time when strenuous efforts are being exerted to provide equal consideration for female employees in many phases of employment.

As a solution for these two problems, we urge the committee to give favorable consideration to S. 761, sponsored by Senator Frank Carlson, a distinguished member of the committee.

The measure will alleviate greatly the present imbalance between the contributions made by the Government and its employees to health benefits coverage and will eliminate entirely the particular injustice now experienced by female employees of nondependent spouses.

We urge that the committee take favorable action at an early date on S. 1561 with the amendments we have proposed.

Our deepest appreciation is extended to you and your colleagues for your interest in the views of our organization on the pending legislation.

Senator RANDOLPH. Earlier today in our hearings we called for Mr. Lawrence N. Cathles and he did not answer. He had been scheduled as a witness. We will keep the record of the hearing open for 10 days and we can receive further information and statements that might be desirable as a part of the record.

We wish to thank those persons who appeared. We recognize that their help will be beneficial to the subcommittee.

(Whereupon, at 12:05 p.m., the subcommittee adjourned.)

APPENDIX

(The following statements were presented for inclusion in the record:)

STATEMENT OF CHARLES E. PUSKAR, EXECUTIVE SECRETARY-TREASURER,
NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES

Mr. Chairman, my name is Charles E. Puskar, postmaster at Imperial, Pa., and I am executive secretary-treasurer of the National Association of Postmasters of the United States and national chairman of our legislative committee.

Our association, Mr. Chairman, is the only one composed entirely of postmasters, has a membership of 97 percent of the 35,000 active postmasters of the Nation and we have approximately 1,300 associate members—former postmasters now retired from service.

We are most interested in any legislation having to do with the Federal Employees Health Benefits Act of 1959.

We take pride in that our association first instituted the nationwide operation of the Blue Cross-Blue Shield health plans under a uniform premium cost. This accomplishment, of course, simplified the application of these plans to all postmasters and postal employees of the Nation.

S. 1561; introduced by our distinguished chairman, Senator Olin Johnston on May 17, by request, is intended to correct certain technical features of the Health Benefits Act of 1959. Chairman Macy, of the Civil Service Commission, testified today in explanation of these changes.

We support these proposed amendments, but we feel that in amending the act of 1959, by all means, a more equitable contribution by the Government to premium costs should be provided. At present, the contribution is approximately 38 percent of the cost to Federal employees.

Statistical information discloses that many companies in private industry pay 100 percent of the cost for health benefits and even many States, counties, and municipalities pay the entire premium costs.

The Federal Government surely should not lag behind in these necessary and desirable benefits to employees.

On February 11, Senator Carlson introduced S. 761, providing a 50-percent contribution by the Government to cost of the health plans.

We are sure that Congress intended this percentage of contribution when the legislation was enacted into law in 1959.

We strongly recommend to you that the proposal of Senator Carlson be carefully considered in the anticipated amendments to the present law.

Thanks, Mr. Chairman and members of the committee, for the opportunity of submitting this statement.

STATEMENT OF JOHN G. BRADY, LEGISLATIVE CHAIRMAN, NATIONAL ASSOCIATION
OF INTERNAL REVENUE EMPLOYEES

Mr. Chairman and members of the subcommittee, it is a pleasure to present this statement in favor of S. 1561 introduced by Senator Olin Johnston. The purpose of this bill to remove certain inequities in its application which have become apparent since the inception of the health benefits program in July 1960.

(1) The purpose of this act was to establish a worldwide program to help protect Government employees and their families against the cost of illness or accident for both the employed and the retired.

To assist in establishing or setting up this voluntary health benefit program certain designated employees in each State or district were instructed on the various phases of this program. These people were supposed to have explained this program in detail to the other employees.

Since a considerable number of employees, because of the nature of their work, were not privileged to attend all of these insurance meetings, they therefore missed much of this detailed information.

This is a voluntary program, and many employees did not know the details of the program especially the provisions of paragraph 7 on page 14 of U.S. Civil Service Commission Brochure BR-1 41-117, November 1961, "After Retirement." I quote a portion thereof, "and you were enrolled in a plan under the health benefit program from the date of your first opportunity or for the 5 years of service immediately preceding your retirement, whichever period is shorter."

Since these facts were not known to many employees, who did not choose to enroll the first opportunity and did choose to enroll the first open season October 1 through October 16, 1961, and who plan to retire before they have been enrolled 5 years, these employees will lose their coverage because of the provision of the above-quoted paragraph. Since the Federal employees health benefit program was enacted to cover and protect all Government employees, active and retired, the provisions of paragraph 7 are discriminating against a number of employees, which defeats the purpose of the act.

It is requested that the Congress be petitioned to amend the Federal Employees Health Benefit Act of 1959 by deleting or canceling the provision of paragraph 7 of page 14 of brochure by U.S. Civil Service Commission BR-1 41-117, November 1961, quoted above.

(2) Elimination of discrimination against female employees with nondependent husbands on the cost of medical coverage. At present, Government only pays about 30 percent of the health plan costs for them as compared to a Government-wide coverage of 38 percent.

This injustice should be corrected by eliminating the higher medical cost to the female employee with nondependent husband.

(3) Member of family—An employee spouse; unmarried children under the age of 19 years: Under the Government health benefits insurance if a family member is a child under 19 and is reaching age 19, the family member becomes ineligible for health insurance benefits.

The above is a severe hardship and I am particularly concerned with our economic factors of today where our children are expected to go to college.

I recommend that the age limit of when the child reaches 19 be changed to read "a child who is in regular full attendance at a recognized educational institution, including a high school, trade or vocational school, technical school, junior college, college, or university, be eligible for health benefits under the act of 1959."

I thank you for your interest and I appreciate the opportunity of endorsing this important legislation.

STATEMENT OF DANIEL JASPAN, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

Mr. Chairman and members of the subcommittee of the Senate Committee on Post Office and Civil Service, my name is Daniel Jaspan. I am the legislative representative of the National Association of Postal Supervisors, composed of more than 26,000 supervisors, including motor vehicle and maintenance supervisors. We have members in all 50 States, as well as Puerto Rico and the Virgin Islands.

We are very happy to approve all of the proposals in S. 1561. We hope that this committee will give consideration to some of the objectives of our association which we believe can be embodied in the same bill.

Our association has regularly passed resolutions asking that the Government assume at least half of the cost of health benefits insurance. More and more private industries are paying at least 50 percent of the insurance premiums and many companies pay 100 percent. It is our opinion that the Government should assume a greater share of these payments.

We have also had resolutions asking that married female employees with non-dependent husbands pay the same amount as married male employees for family coverage. We are hopeful that this inequity will be erased by the Senate Committee on Post Office and Civil Service.

In addition to the above proposals, we respectfully request that you give consideration to an area corrected in the Civil Service Retirement Act by Public Law 87-793. We have had many resolutions requesting that health benefits be extended to include dependent children above age 18. In section 18(f)(A) of Public Law 87-793 enacted in 1962, the Congress approved the recommendations of this committee to extend to age 21 survivor benefits for children who pursued a

course of study after age 18. Our resolutions ask that health benefits be extended to dependent children under age 23. This would cover students until the completion of a normal college course.

Since this committee has always shown interest in furthering the education of the youth of this Nation, as shown by their liberalization of the Civil Service Retirement Act last year, we are certain that you realize how important it is for the students to have health coverage while completing their college careers. A long period of illness without such coverage would soon terminate the careers of many students whose parents, or who themselves, cannot stand the additional burden of hospital expenses.

The inclusion of a section in S. 1561 extending the health benefits provisions to these students would equalize the Health Benefits Act and the Civil Service Retirement Act, as amended, so that this worthy group could have complete coverage during this important period of their lives.

We hope that this committee will give serious consideration to our proposals and that they will be included with the bill as reported out so that we can have a bill enacted in the very near future containing these features which we believe to be essential.

Thank you for giving us the opportunity to present testimony in favor of S. 1561.

STATEMENT OF JOHN GRINER, PRESIDENT, AMERICAN FEDERATION OF
GOVERNMENT EMPLOYEES

The American Federation of Government Employees approves the greater portion of the bill S. 1561, sponsored by Senator Johnston, because it provides in several respects needed and desirable liberalization of the Federal Employees' Health Benefits Act of 1959.

The bill would alleviate several situations created by the law which react to the disadvantage of Federal employees. As a result, employees or their dependents are excluded from the benefit of the health insurance program when logic or equity plainly indicate that they should be included.

We will comment on the provisions of the bill in the order in which they appear.

The first change would permit enrolled employees to continue their coverage under a health benefits plan when receiving benefits under the Federal Employees' Compensation Act though the injury on which the benefits are based occurred prior to the enactment of the Health Benefits Act. Present law provides health benefits only if the injury or illness occurred after the date of enactment of the act. A similar change in the present law is made for the benefit of a surviving beneficiary. Return of the employee himself to the employees' compensation roll would, under current law, deprive him of insurance coverage if the injury or onset of the disease antedated the date of enactment of the Health Benefits Act.

A third and important change provided in the bill would permit Federal employees to include their foster children in family enrollments if they are living with them in a parent-child relationship. Presently only natural or adopted children may be included. An example is that of a Federal employee who is insured under the AFGE plan and is caring for the children of a brother and his wife who were killed in an automobile accident. He is now unable to include those children in his own enrollment but they may be considered as dependents for income tax purposes. So long as other Government agencies, such as Internal Revenue Service for income tax purposes, will recognize a foster child as having equal status with a stepchild or natural child, we believe that a foster child should have the same status for purposes of health benefits legislation. The change appears to be obviously desirable.

The next change would amend the law so as to consider all employees who enroll in the health benefits program by December 31, 1963, as having fulfilled the requirement of coverage for a prescribed period prior to retirement. This change also is desirable, since it would permit an employee to carry his coverage into retirement though he had not enrolled at the first opportunity for enrollment in July 1960. Some employees did not realize the importance of initial enrollment if they were going to retire less than 5 years later.

The AFGE has no objection to the proposal to authorize the Commission to terminate the contract of a carrier if during the preceding two contract terms fewer than 300 employees and annuitants were enrolled in its plan.

We do not oppose striking out the words ending the last sentence of section 6(f). For the protection of employees participating in a plan, the nongroup contract should be subject to the review and approval of the Civil Service Commission.

The change provided in subsection (7) of the bill removes the requirement presently in the law that a carrier must make a cancelable contract available. It recognizes the fact that relatively few prospective policyholders wish such a policy.

The change would amend section 7(a)(2) of the law by removing the present dollar amounts and substituting a proportional relationship between the Government contribution and the charge by the carrier. What the change does not do is to remove from the law the discrimination between the status of a female employee and a male employee.

We recommend that the Government contribution should be 50 percent for a woman employee or annuitant enrolled for self and family including a nondependent husband. Presently the Government contribution for women with nondependent husbands is limited to 30 percent.

This organization is on record as favoring equal opportunity and treatment of Federal employees regardless of sex. The Federal Government is committed to such a policy by reason of recent legislation. As the health benefits law is now written it is definitely discriminatory toward women with nondependent husbands and we strongly urge the ending of that discrimination by specifically providing the same Government contribution to employee health benefit premiums as now provided for male employees.

The AFGE does not object to the method of distribution of contingency reserves of a discontinued health benefit plan which is proposed in subsection (9) of this bill. However, we definitely oppose the immediate distribution of such funds.

The bill would distribute the contingency reserves of a discontinued plan among other plans still operating in proportion to the amount of premiums paid and accrued to the plan for the year of termination. We believe this contingency reserve should be held at least 3 years in the event the sponsor of the plan which is being discontinued should find it possible to reorganize the plan and again become a participating carrier under the act. In such event, the reserve should be made available to the newly reorganized plan rather than distributed among the other plans.

Our proposal is not advanced for selfish reasons, because the AFGE expects to continue its health benefit plan indefinitely.

The AFGE approves subsection (10) of the bill which amends section 10(c) of the law so as to permit an enrolled employee who is removed or suspended and then restored to duty to have a choice of having his coverage made retroactive or enrolling as a new employee. An employee has no choice under present law, and his coverage is made retroactive. Adjustment must be made of premiums and claims, if any, for the period of time he was off the Federal employment rolls.

Thank you, Mr. Chairman, for the opportunity to submit this statement on a bill that has important implications for Federal employees.

STATEMENT OF LAWRENCE M. CATHLES, JR., VICE PRESIDENT, AETNA LIFE INSURANCE CO.

I am Lawrence M. Cathles, Jr., vice president of the Aetna Life Insurance Co. of Hartford, Conn., which is the administering carrier of the Government-wide indemnity benefit plan. More than 503,000 Government employees are enrolled under this plan which, together with families and dependents, covers almost 1,500,000 people. This plan is administered by the Aetna on behalf of the approximately 132 insurance companies which participate in the reinsuring of this plan. The Aetna Life Insurance Co. also administers the uniform plan for retired Federal employees, also on behalf of the reinsuring companies.

I very much appreciate the opportunity of presenting a written statement, and I regret that I was unable to present my statement in person at the committee hearings on Monday, June 24, 1963. I have now had the opportunity, however, to review the statements of the other witnesses who did appear; and I would like to take this opportunity to submit the few comments that I have with regard to their statements. I have only minor comments on Senate bill 1561, but I would like to comment on two possible amendments which I believe would be very desirable.

In general, we favor Senate bill 1561 and we particularly favor the adoption of the amendment to section 2(d) which would provide for the coverage of foster

children. It is common practice in the insurance industry to cover legitimate children and adopted children without qualification except as to age. Step-children and any other children are covered so long as they reside with the insured employee in a parent-child relationship and depend primarily upon him for support. Under the present Federal employees health benefits program a grandparent who is a Federal employee who takes in and supports his grandchildren upon the death of the parents may not cover the children under his health insurance plan. The proposed amendment would rectify this situation.

Item No. 10 which amends section 10(c) to provide that an enrolled employee who is erroneously removed or suspended and subsequently restored to duty will be given the choice of having this coverage restored retroactively or currently is contrary to sound insurance principles and I must, therefore, on principle, oppose it.

The proposed amendment would result in an employee's electing current reinstatement unless a claim had been incurred which would entitle him to benefits in an amount in excess of the retroactive premiums he would be required to pay. Any insurance program which permits employees to pay premiums only when they have claims can hardly be successful.

The present law seems highly reasonable, since by reason of the error the employee is being restored to his position prior to the suspension or removal, and any benefits to which he would have been entitled are being restored to him. Although the accumulated contributions may amount to a substantial sum, presumably the accumulated back pay would also be substantial.

The frequency with which employees will be erroneously suspended or removed would, I imagine, not be great; and it is difficult for me to argue that the adoption of the proposed amendment would have a significant cost impact upon the Federal employees health benefits program. This amendment is, however, in principle unsound and on this basis I must oppose it.

I have no other specific comments as to the proposed amendments, but there are two additional amendments which I would propose.

The first of these would be a change in section 7(a)(1) of the act. This section fixes the Government contribution at 50 percent of the cost of the least expensive low option of the two governmentwide plans. Under this arrangement an increase in the cost of this low option would automatically increase the cost of the program to the Government. Conversely, as Mr. Jerome Keating pointed out in his testimony before the committee, the claims experience under this low option has been extremely favorable in comparison with that experienced by the other options and plans because of the extremely favorable selection which this low option of the governmentwide indemnity benefit plan has attracted. This means that the standard to which the Government contribution is tied is not a representative one, and this could result in a steadily reducing Government contribution when expressed as a proportion of the total cost of the plan. Furthermore, the relationship of the Government contribution to the cost of the indemnity plan low option makes it impossible from a practical standpoint to reduce the contribution rate for the low option plan, even though the experience warrants this, and makes it difficult to increase the benefits because of the already narrow difference between the low and high options.

I note that both Mr. Jerome Keating and Mr. John F. O'Connor testified in favor of a fixed Government contribution of an increased amount. We do not oppose an increase in the Government's contribution, but we do not urge it since we do not believe that this is within our province. We do, however, strongly support the principle of a Government contribution which is expressed in a fixed-dollar amount rather than as a percentage of the cost of a particular plan or option.

The second amendment which I would propose would provide that no plan could offer more than one option. As other witnesses have already testified, 85 percent of Federal employees enrolled under the Federal employees health benefits program have selected the high option where the option has been available. In the case of both Government-wide plans, both options provide a substantial degree of protection so that the element of choice is not of great significance.

There would be considerable administrative savings on the part of both the Government and the carriers if only one option were allowed. All employees have at least two plans from which to choose, and many have more. Even if the low options were removed, the Federal employees health benefits program would still provide a greater freedom of choice than any program in private industry. Furthermore, the range of choice between the indemnity benefit plan, for example, and the comprehensive plans is far greater in both cost and coverage than the range between the high and low options of any one of the plans having

such options. For example, Mr. Feldman testified that the total cost for family coverage, Group Health Association, Washington, D.C., was \$31.70 monthly. Under the high option of the indemnity benefit plan the total cost is \$17.46 under the low option the total cost is \$13.52. There is thus a spread of less than \$4 between the high and low options of the Government-wide indemnity benefit plan, but there is a spread of \$14.24 between the Group Health Association and the Government-wide indemnity benefit plan high option plan.

In giving consideration to the elimination of the low option we would urge that the amendment should be made mandatory rather than permissive. If the act were to be changed so that the plans would be able to offer one or two options as they saw fit, the intense competition that exists between the Government-wide plans would prevent either of these plans from wanting to be the first to withdraw its low option. Of course, we would expect that any amendment would apply to all plans and not to just the Government-wide plans.

I would like to comment upon a remark by Louis L. Feldman, staff representative, Group Health Association of America and Health Insurance Plan of Greater New York, in his testimony before the committee on Monday, June 24, 1963. Mr. Feldman made the very plausible argument that the contingency reserves of plans which were terminated by the Civil Service Commission should be distributed among other plans of the same class or type rather than among all those plans participating in the program. Mr. Feldman pointed out that if the contingency reserve of a terminated plan were credited to the contingency reserves of all plans as provided for in item 9 of Senate bill 1561, then the two Government-wide indemnity benefit plans would receive the lion's share, since most Federal employees are enrolled under these Government-wide plans. He reasoned that since the employees covered by these terminated plans had elected a plan of a particular type, the moneys accumulated in the contingency reserve from their contributions properly belonged to the class of plan if the individual plan terminated.

It would be rather difficult to follow Mr. Feldman's line of reasoning in the unlikely event that either the service benefit plan or the indemnity benefit plan should be terminated, because these are the only plans in their class. I think the significant point to consider, however, is that the contingency reserve is accumulated for the protection of the Federal employees. Perhaps the most equitable way to apportion these accumulated contingency reserves would be on the basis of the elections of the employees of the terminating plans. In other words, when a plan terminates, the employees are given the opportunity to elect coverage under any of the remaining approved plans which would otherwise be available to them. It should not be too difficult to determine the proportion of these employees entering each of the several plans and the contingency reserve could then be distributed in that proportion among those plans. It would seem to me that this would produce the greatest equity for the employees and at the same time would prevent the kind of discrimination in favor of the two Government-wide plans to which Mr. Feldman has objected.

Mr. John McCard, operations director, Government Employees Council, AFL-CIO, has testified in favor of Senate bill 761 sponsored by Senator Frank Carlson, which would reduce the contribution of female employees who have elected coverage for nondependent spouses so that their contribution rate would be the same as that for a male employee electing coverage for his family. We do not oppose this proposal, but we would point out that there is a much higher degree of probability that double coverage will result from the insuring of nondependent husbands than there is from the insuring of the wife and family of a male employee. There is significant evidence that double coverage has a substantial effect upon the cost of health insurance, and there are few who would today dispute this fact.

The problem of the increased cost of the health benefits resulting from the increased incidence of double coverage by reason of the covering of nondependent husbands can be handled in either of two ways. The first method is that currently in use, that of charging a higher contribution rate to the female employee who wishes to cover her nondependent husband. The other way, and perhaps a more popular way, of solving the problem would be to require a nonduplication provision such as is presently included in the Government-wide indemnity benefit plan. Not all of the plans have these nonduplication provisions; indeed, even the Government-wide service benefit plan does not have such a provision with respect to the basic benefits portion of the plan.

I have one last comment. I would not like to forgo the opportunity of expressing to the committee our very high regard for the personnel in the Bureau of Retirement and Insurance and in the Civil Service Commission with whom we

have dealt during the last 3 years. This is a well-trained, highly efficient staff under extremely competent direction, and they have done a truly remarkable job in implementing and administering the largest and most complex health insurance program that has ever been devised. For myself and my associates I can say that our relationship with the Commission staff has been a rewarding one.

I want to thank the committee for extending this courtesy to me, and I very much appreciate the opportunity of presenting my views.

STATEMENT OF EVERETT G. GIBSON, PRESIDENT, NATIONAL FEDERATION OF
POST OFFICE MOTOR VEHICLE EMPLOYEES

Mr. Chairman and members of the committee, my name is Everett G. Gibson, president of the National Federation of Post Office Motor Vehicle Employees, affiliated with the AFL-CIO, with offices at 412 Fifth Street NW., Washington, D.C.

We endorse S. 1561, that will amend the Federal Employees Health Benefits Act of 1959, which are technical in nature and would provide additional coverage for our membership and other Federal employees.

Our organization operates our own health benefits plan of which most of our members are enrolled. We would recommend that consideration be given by this committee to amend the law, that would provide the Governments contributions be one-half the cost of the biweekly subscription for each employee.

I want to thank you Mr. Chairman, for allowing me the opportunity to express the views of our organization on S. 1561 and that this bill will be reported so that it can be enacted during this session of Congress.

STATEMENT OF JOHN W. MACKEY, PRESIDENT, NATIONAL POSTAL UNION

My name is John W. MacKay. I am privileged to serve as president of National Postal Union, representing approximately 43,000 postal workers affiliated through 375 local unions in 45 States, the island of Puerto Rico, and the District of Columbia.

We wish to express our appreciation to the chairman and members of this subcommittee for arranging early hearings on S. 1561. We are also grateful to its sponsor, the distinguished chairman of the Senate Post Office and Civil Service Committee, Senator Olin D. Johnston.

Approximately 27,000 postal and Federal employees are affiliated with National Postal Union's health benefit plan. Our aim is to provide the best possible coverage at the lowest feasible cost. Therefore, we are very interested in what we believe to be essential improvements in the Federal Employees Health Benefits Act of 1959.

We have given careful study to S. 1561, which proposes certain more or less technical amendments necessary for the proper operation of health plans. We wish to go on record in support thereof. However, we believe this subcommittee should also give consideration to several other factors which have developed since the enactment of Public Law 86-382.

When hearings were initially held during 1959 on proposals to sponsor Government contributory health plans, it was generally understood that 50 percent of the cost would be borne by the Government and 50 percent would be borne by the employee. In actual practice, the Government contribution does not exceed 38 percent of premium charges. We suggest the law be amended to provide Government contributions on a flat premium basis, with a payment of \$2 biweekly for an employee or annuitant enrolled for self alone, and \$5 biweekly for an employee or annuitant enrolled for self and family, but not more than one-half the biweekly charge for the enrollment.

Section 10(d) of Public Law 86-382 provides in part, "the Commission shall make available to each employee eligible to enroll in a health benefits plan under this Act such information, in a form acceptable to the Commission after consultation with the carrier, as may be necessary to enable such employee to exercise an informed choice among the types of plans referred to in section 4." Since the original implementation of the Federal Employees Health Benefits Act of 1959, it has been the practice of the Commission to distribute the health plan brochures of the two Government-wide health plans to all employees of the Federal Government regardless of affiliation.

Distribution of the health plan brochure of employee unions by the Commission was limited to the membership of said employee unions. While the Commission is acting in good faith, this practice has tended to prevent thousands of Federal and postal employees from receiving adequate information. We believe the "informed choice" has never come close to realization. We suggest an amendment to provide that all health insurance carriers be placed on an equal footing with respect to Government distribution of informative literature and health plan brochures.

We further recommend an amendment to provide all approved health plan carriers the privilege of advertising and the circularization of information concerning the benefits and operation of their respective health plans. We suggest that present restrictions on this type of activity, as established by the Commission be rescinded.

We sincerely hope this subcommittee will take favorable action on S. 1561 at an early date and include the amendments we have herein proposed.

We express our sincere appreciation to you, Mr. Chairman, and the other members for the interest you have displayed in this important subject.

STATEMENT OF ROSS A. MESSER, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF POST OFFICE & GENERAL SERVICES MAINTENANCE EMPLOYEES

My name is Ross A. Messer, I am legislative representative for the National Association of Post Office & General Services Maintenance Employees, representing the building maintenance employees of the Post Office Department and General Services Administration, with members in the 50 States, Puerto Rico, the Virgin Islands, and the District of Columbia. Our national office is located in room 624 Victor Building, 724 Ninth Street N.W., Washington, D.C.

This association is deeply interested in the efficient and economical operation of the health benefits program with the employee receiving the greatest possible benefits for his premium dollar. The Civil Service Commission is to be commended for their fine work in administering the program in such an efficient manner.

The amendments proposed in S. 1561 are technical in nature and would be an improvement over present operation. We endorse the suggested amendments set forth in S. 1561.

While the committee is considering revisions to the Federal Employees Health Benefits Act of 1959, we believe that certain other liberalizations should be considered. There are two particular revisions that in our opinion should be given consideration at this time.

The amount of the biweekly premium paid by the Government should be reviewed. It is our belief that Congress intended that the Government should pay up to one-half of the cost of the biweekly premium so long as it was within reason. At present the Government is paying approximately 38 percent of the premium charges with the employee paying approximately 62 percent of the premium. This is not the 50-50 basis that was discussed several years ago when the plan was enacted.

We would like to suggest that the committee consider amending the law to provide for Government premium payments of 50 percent, but not to exceed \$2 per biweekly pay period for an employee or annuitant enrolled for self only; and not to exceed \$5 per biweekly pay period for an employee or annuitant enrolled for self and family. We believe that the above suggested amendment is very important and should receive very careful consideration by the committee.

We would also like to suggest consideration of S. 127 by Senator Frank Carlson, ranking minority member of this committee, which would eliminate any discrimination against married female employees. It is very difficult for us to understand why female employees with nondependent husbands are required to pay a higher premium than other employees taking family coverage. May we recommend that the committee give careful consideration to approving the contents of S. 127 and including its provisions in any proposal reported by the committee amending the Federal Employees Health Benefits Act of 1959.

Mr. Chairman and members of the committee, I would like to again express my thanks to you for the opportunity to appear before you today.

AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., July 2, 1963.

HON. OLIN D. JOHNSTON,
*Chairman, Post Office and Civil Service Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR JOHNSTON: In regard to S. 1561, on which hearings were held Monday, June 24, and which amends the Federal Employees Health Benefits Act of 1959, the AFL-CIO supports the proposed amendments with the exception of section 5, amending section 6(d) and section 9, amending section 8(b) of the Federal Employees Health Benefits Act of 1959.

In regard to sections 5 and 9 of S. 1561 amending section 6(d) and section 8(b) the AFL-CIO takes vigorous exception.

Section 5 of the amendment would authorize the Civil Service Commission to terminate the contract of any carrier which did not have more than 300 or more employees and annuitants during the preceding 2 contract terms. This provision would impede the development of community-sponsored group practice prepayment plans which have proven themselves to be the most effective way to bring high-quality medical care to not only Federal employees, but to all people.

In his message to Congress on February 27, 1962, President John F. Kennedy stated:

"Experience in many communities has proven the value of group medical and dental practice, where general practitioners and medical specialists voluntarily join to pool their professional skills, to use common facilities and personnel, and to offer comprehensive health services to their patients. Group practice offers a great promise of improving the quality of medical care, of achieving significant economies and conveniences to physician and patient alike, and of facilitating a wider and better distribution of the available supply of scarce personnel."

Since comprehensive group practice prepayment programs are community based, the effect of the proposed amendment would seriously inhibit development of such programs in many smaller communities where the number of Federal employees might not be substantial.

This amendment would, in effect, give preference to those plans which enrolled on a nationwide basis and which would find the 300-member limitation no barrier.

Numerous studies conducted by the Federal Government as well as by private agencies have shown the shortage of physicians and of medical care facilities in rural and relatively unpopulated areas. Such studies have indicated the need for encouraging and not discouraging the organization of group practice programs on a regionally organized basis as a means of providing quality care at a reasonable cost.

We therefore urge that section 5 of S. 1561 amending section 6(d) of the Federal Employees Health Benefits Act of 1959 be deleted.

With respect to section 9 amending section 8(b) of the Federal Employees Health Benefits Act of 1959 the AFL-CIO feels that such a provision would be highly inequitable because the effect would be to allocate approximately four-fifths of the contingency funds for the benefit of other than employee organization or comprehensive medical plans. A more equitable solution would be to provide that the contingency reserves remaining to the credit of a discontinuing plan be distributed among the contingency reserves of other plans in the same category. In other words, if a plan under section 4(3) or 4(4) discontinues, then the contingency funds under such plan should be allocated to other 4(3) or 4(4) plans.

We therefore urge that section 9 of S. 1561 be so amended.

While it is not directly related to this bill the Government contribution toward the Federal employees health program amounted to approximately 38 percent of total premium charges. This is considerably below the standards prevailing with most collectively bargained health and welfare plans. In the vast majority of cases the employer pays the entire cost of such collectively bargained programs. The AFL-CIO, therefore, would like to suggest that S. 1561 be amended by adding the provisions of S. 761 which was introduced by Senator Carlson.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Department of Legislation.
NELSON H. CRUIKSHANK,
Director, Department of Social Security.

SAN FRANCISCO, CALIF., *July 4, 1963.*

Hon. THOMAS H. KUCHEL,
U.S. Senator from California,
Washington, D.C.:

Appreciate your wire notification re Subcommittee on Health Benefits and Life Insurance of Senate Post Office and Civil Service Committee, Medical Guild Health Plan renders complete health service in San Francisco and San Mateo Counties with a staff of 62 professional men.

Because of the nature of this service and the limited territory it is quite natural that we would not have the membership such as an insurance company. Since the Government is desirous of stimulating small business it would appear to us that it would be unjust to pass a regulation which would drop any organization rendering good service merely because of the size of membership. It would seem more practicable to eliminate some of the forms and bookwork which are required of small plans.

RAY E. HARRIS, M.D.,
Medical Guild Health Plan.

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LEGISLATIVE HISTORY

Public Law 88-284
S. 1561

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INDEX AND SUMMARY OF S. 1561

May	17, 1963	Sen. Johnston introduced S. 1561 which was referred to the Senate Post Office and Civil Service Committee. Print of bill as introduced.
Nov.	13, 1963	Senate committee reported S. 1561 with amendments. S. Report 642. Print of bill and report.
Nov.	15, 1963	Senate passed S. 1561 as reported.
Nov.	18, 1963	S. 1561 was referred to the House Post Office and Civil Service Committee. Print of bill as referred.
Jan.	29, 1964	House subcommittee voted to report S. 1561.
Feb.	6, 1964	House committee voted to report S. 1561.
Feb.	17, 1964	House committee reported S. 1561 with amendments. H. Report No. 1142.
Mar.	2, 1964	House passed S. 1561 as reported.
Mar.	6, 1964	Senate concurred in House amendments to S. 1561.
Mar.	17, 1964	Approved: Public Law 88-284.

DIGEST OF PUBLIC LAW 88-284

AMENDMENT TO FEDERAL EMPLOYEES' HEALTH BENEFITS ACT OF 1959.

Simplifies and improves generally the administration of the Federal Employees Health Benefits Act of 1959. Permits enrolled employees to continue their health insurance coverage when placed on employees' compensation even though the injury giving rise to compensation payments occurred prior to enactment of the Act. Adds foster children who are living with the employee or annuitant in a regular parent-child relationship to the list of family members who can be covered by the enrollment of an employee or annuitant. Continues coverage for unmarried children up to the age of 21 years. Places the female employee with family, including nondependent husband, on the same Government-contribution basis as regular family enrollments. Provides that an employee who enrolled in a health plan up through Dec. 31, 1964, who otherwise might be ineligible to do so because he did not enroll at the first opportunity, may continue his coverage as an annuitant.

REPORT ON THE 1964-65

The following is a summary of the work done during the year 1964-65. It is divided into two main parts: the first part deals with the work done in the field, and the second part deals with the work done in the laboratory.

The work done in the field was of a general nature, and was aimed at obtaining a better knowledge of the habits and life history of the species. This was done by means of a series of observations and experiments, which were carried out in the field.

The work done in the laboratory was of a more detailed nature, and was aimed at obtaining a better knowledge of the physiology and anatomy of the species. This was done by means of a series of experiments, which were carried out in the laboratory.

The results of the work done in the field and in the laboratory are given in the following sections.

S. 1561

IN THE SENATE OF THE UNITED STATES

January 1, 1901.

REPORT OF THE SELECT COMMITTEE ON THE MESSAGE FROM THE PRESIDENT RELATIVE TO THE PROPOSED AMENDMENT TO THE CONSTITUTION.

A BILL

TO AMEND THE CONSTITUTION OF THE UNITED STATES.

IN SENATE, JANUARY 1, 1901.

REPORT OF THE SELECT COMMITTEE ON THE MESSAGE FROM THE PRESIDENT RELATIVE TO THE PROPOSED AMENDMENT TO THE CONSTITUTION.

IN SENATE, JANUARY 1, 1901.

88TH CONGRESS
1ST SESSION

S. 1561

IN THE SENATE OF THE UNITED STATES

MAY 17, 1963

Mr. JOHNSTON (by request) introduced the following bill; which was read twice
and referred to the Committee on Post Office and Civil Service

A BILL

To amend the Federal Employees Health Benefits Act of 1959.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the Federal Employees Health Benefits Act of 1959
4 (5 U.S.C. 3001-3014) is hereby amended as follows:

5 (1) Section 2 (c) (3) is amended by striking the words
6 “as a result of injury sustained or illness contracted on or
7 after such date of enactment”.

8 (2) Section 2 (c) (4) is amended by striking the words
9 “on account of injury sustained or illness contracted on or
10 after such date of enactment”.

1 (3) Section 2 (d) is amended by inserting, after “step-
2 child”, “, foster child,”.

3 (4) Section 3 (b) (1) is amended by inserting, after
4 “or” in line six, “(C) the full period or periods of service
5 beginning with the enrollment which became effective not
6 later than December 31, 1963, and ending with the date on
7 which he becomes an annuitant, or”.

8 (5) Section 6 (d) is amended by the addition of a sen-
9 tence reading as follows:

10 “The Commission may terminate the contract of any
11 carrier effective at the end of a contract term, if the Commis-
12 sion finds that at no time during the preceding two contract
13 terms did the carrier have three hundred or more employees
14 and annuitants (exclusive of family members) enrolled for
15 its plan.”

16 (6) Section 6 (f) is amended by placing a period after
17 the word “contract” in the last sentence and striking the re-
18 mainder of the sentence.

19 (7) Section 6 (g) is amended by striking “, at the
20 option of the employee or annuitant,”.

21 (8) Section 7 (a) (2) is amended to read as follows:

22 “(2) For an employee or annuitant enrolled in a plan
23 described under section 4 (3) or (4) for which the biweekly
24 subscription charge is less than twice the Government con-
25 tribution established under paragraph (1) of this subsection,

1 the Government contribution shall be 50 per centum of the
2 subscription charge, except that if a nondependent husband
3 is a member of the family of a female employee or annuitant
4 who is enrolled for herself and family the contribution of the
5 Government shall be 30 per centum of such subscription
6 charge.”

7 (9) Section 8 (b) is amended by the addition of the
8 following:

9 “Whenever a contract with a plan approved under sec-
10 tion 4 (3) or 4 (4) is terminated, the contingency reserve
11 credited to that plan shall be credited to the contingency
12 reserves of the plans continuing under this Act for the con-
13 tract term following that in which termination occurs, each
14 reserve to be credited in proportion to the amount of the
15 premiums paid and accrued to the plan for the year of
16 termination.”

17 (10) Section 10 (c) is amended to read as follows:

18 “Any employee enrolled in a plan under this Act who
19 is removed or suspended without pay and later reinstated
20 or restored to duty on the ground that such removal or
21 suspension was unjustified or unwarranted may, at his option,
22 enroll as a new employee or have his coverage restored to
23 the same extent and effect as though such removal or sus-
24 pension had not taken place with appropriate adjustments
25 made in contributions and claims.”

A BILL

To amend the Federal Employees Health
Benefits Act of 1959.

By Mr. JOHNSTON

MAY 17, 1968

Read twice and referred to the Committee on Post
Office and Civil Service

A BILL

To amend the Federal Reserve Act
to provide for a new

Section 1462

of the Act

and for other purposes

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Nov. 14, 1963
For actions of Nov. 13, 1963
88th-1st, No. 183

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HIGHLIGHTS: Senate debated foreign aid authorization bill. Sen. Lausche proposed open market financing for REA cooperatives. Senate committee reported independent offices appropriation bill. Sen. Young (N. Dak.) inserted items favoring a sale of wheat to Russia and defending USDA budget. Sen. Proxmire inserted item supporting enactment of dairy legislation. Sen. Proxmire urged caution in considering sales of wheat or other products to Russia. Rep. Quie criticized U.S. policy of trading with Communists. Rep. Bromwell urged Congress to act against increased importation of meat. House committee reported pay bill. Rep. Cooley urged enactment of his cotton bill.

SENATE

1. FOREIGN AID. Continued debate on H. R. 7885, the foreign aid authorization bill (pp. 20640-1, 20648-58, 2-660-70, 20678-704). Agreed to an amendment by Sen. Simpson to provide that the services of private enterprise shall be used to the fullest extent practicable in the technical assistance program (pp. 20666-9). Agreed to an amendment by Sen. Ellender to strike out a provision of the bill increasing from 25 to 50 percent the amount of foreign currencies that may be used by private industries to promote the consumption of U. S. agricultural products abroad (pp. 20697-9). Agreed to an amendment by Sen. Carlson to provide that fishery products included in the food-for-peace program shall not include fish flour until this product has been approved by the Food and Drug Administration (pp. 20699-700).

2. INDEPENDENT OFFICES APPROPRIATION BILL, 1964. The Appropriations Committee reported with amendments this bill, H. R. 8747 (S. Rept. 641). p. 20605

3. PERSONNEL. The Post Office and Civil Service Committee reported with amendments S. 1561, to amend the Federal Employees Health Benefits Act (S. Rept. 642). p. 20605
4. ELECTRIFICATION. Sen. Lausche proposed open market financing for REA cooperatives and referred to a group of rural cooperatives in Ohio which "formed a supercooperative called the Buckeye Power Co." which "has gone into the open market to raise their share of the capital by borrowing from general institutional lenders." pp. 20616-7
5. WHEAT; FOREIGN TRADE. Sen. Young (N. Dak.) inserted an editorial favoring a sale of wheat to Russia. p. 20618
6. BUDGET. Sen. Young (N. Dak.) inserted an editorial quoting Sen. Ellender as defending the budget of this Department as not being "out-of-line with spending by other branches of the Government." pp. 20618-9
7. DAIRY INDUSTRY. Sen. Proxmire inserted an editorial supporting both the Proxmire and McCarthy dairy bills. p. 20676
8. FOREIGN TRADE. Sen. Proxmire stated his belief that "officials of our Government should think long and hard about the wisdom of selling American products at subsidy prices to the Soviet Union - whether they be wheat or dairy products," and inserted an article in support of his position. pp. 20675-6
Sen. McIntyre discussed and inserted an article on the impact of world trade on New Hampshire, particularly with respect to textile products. pp. 20619-22
Sen. Humphrey inserted an address by the president of the Inter-American Development Bank reviewing problems in the economic development of Latin American countries. pp. 20629-37
9. FORESTRY. Sen. Proxmire inserted an article commending material in the Yearbook of Agriculture on the reforestation program in Ohio. pp. 20676-8
10. CREDIT. Sen. Simpson inserted a statement of the Ill. Retail Merchants Association critical of the proposed truth-in-lending bill. pp. 20622-3
11. STOCKPILING. Received from the Joint Committee on Reduction of Nonessential Federal Expenditures a report on Federal stockpile inventories, including CCC commodity inventories, as of July. pp. 20605-13
12. TAXATION. Sen. Fulbright inserted an address by Under Secretary of the Treasury Fowler supporting the proposed tax reduction bill. pp. 20670-5

HOUSE

13. PERSONNEL. The Post Office and Civil Service Committee reported without amendment H. R. 8986, the Federal pay-increase bill (H. Rept. 899); and with amendment H. R. 10, to extend the apportionment requirements in the Civil Service Act to temporary summer employment (H. Rept. 897). p. 20602
Rep. Libonati inserted President Eisenhower's explanation of the Group Life Insurance program for Federal Civilian Employees. pp. 20587-8
14. PEACE CORPS. Passed without amendment H. R. 9009, to increase the appropriation authorization for the Peace Corps from \$63,750,000 for fiscal year 1963 to \$102,000,000 for fiscal year 1964. pp. 20548-78

AMENDMENTS TO THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

NOVEMBER 13 (legislative day, OCTOBER 22), 1963.—Ordered to be printed

Mr. RANDOLPH, from the Committee on Post Office and Civil Service,
submitted the following

R E P O R T

[To accompany S. 1561]

The Committee on Post Office and Civil Service, to whom was referred the bill (S. 1561) to amend the Health Benefits Act of 1959, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

STATEMENT

The purpose of S. 1561, which consists of a number of amendments to the Federal Employees Health Benefits Act of 1959, is to simplify the administration of the act and to correct certain inequities which have become apparent since the health benefits program was put into operation in July 1960. This program, one of the most far reaching and beneficial in the history of the Federal service, is now serving some 2 million employees, plus 4 million family members, providing them with health coverage ranking among the most complete available anywhere in the world. Every day it operates to protect Federal employees not only from unexpected routine medical expenses but also from the ruinous costs of catastrophic illness and injury. Having now had some 3 years of experience in administering the program, the Civil Service Commission is able to isolate and, through proposed congressional action, to attempt to rectify certain problems which require attention. This measure is the means by which these corrections can be made.

AMENDMENTS

Certain provisions of the 1959 act not touched upon by the Commission's proposal also require congressional action, in the opinion of the committee. The committee accordingly has amended the Com-

mission's recommendations to liberalize the program in several of its aspects not mentioned in the proposal. The first of these is an amendment, described fully below, which would end discrimination against married women Government employees. The 1959 act provided that the Government would not contribute to the coverage of the non-dependent husband of a married woman employee, the motivating thought being that as head of the family the husband would be employed elsewhere and that adequate health protection would be provided him through his employer. Events have demonstrated that this has worked an unintended hardship upon some families. It is the Committee's view that in all equity there should be no discrimination as between men and women Federal employees, irrespective of the husband's position as head of the household. The Civil Service Commission, while it did not propose this amendment, offers no objection to it.

The bill as proposed by the administration provided that an employee who enrolled in a health plan up through December 31, 1963, who otherwise might be ineligible to do so because he did not enroll at the first opportunity, may continue his coverage as an annuitant. As proposed, this change would have operated prospectively only and would have been applicable only to employees leaving the Federal service on or after the date of enactment. The committee has liberalized this proposal by an addition to the amendment so that it would grant prospective coverage to any former employee who otherwise had no eligibility for continued coverage as an annuitant under the law operative at the time of his retirement.

The original measure as proposed by the Commission has been further amended by the inclusion of an additional amendment to the Health Benefits Act suggested by the Commission as a separate bill. This later proposal has been incorporated into S. 1561 as paragraph 12. It was discussed in the hearings and is described below.

Also included as an amendment is paragraph 13, described fully below, which would regulate the procedure to be followed when employee organizations operating health benefits programs merge or discontinue their plans.

SECTIONAL ANALYSIS

Paragraphs 1 and 2.—Under the Federal Employees Health Benefits Act of 1959, an enrolled employee who receives disability compensation from the Bureau of Employees' Compensation because of an injury sustained prior to the enactment of the 1959 act loses his coverage. He is not eligible to have his coverage restored until he returns to active employment. Experience, however, indicates that frequently the compensable disability remits and recurs again and again, so that each time the employee returns to the active rolls, he is eligible for coverage and each time he returns to the rolls of the Bureau of Employees' Compensation he loses his eligibility.

Paragraphs 1 and 2 would rectify an arrangement which is unfair to the individual and additionally complicates the overall administration of the health-benefits program. It would permit enrolled employees to continue their coverage when receiving employees' compensation even though the original injury occurred prior to enactment of the Health Benefits Act of 1959. Specifically, this amendment

changes the definition of an annuitant and permits him to take his coverage with him as an annuitant when he returns to the compensation rolls.

Paragraph 3.—This paragraph would include foster children under family enrollment if the children are living with the enrolled employee in a regular parent-child relationship. The Civil Service Commission has testified that foster children are customarily included within the purview of such programs outside the Government, and the fact that they are not included in the Federal program has resulted in increased costs of health benefits to some employees.

Under existing law, adopted and illegitimate children are included, but foster children may not be covered under an employee's family enrollment. Cases cited to demonstrate the inequity of the present arrangement are those of three employees who are, respectively, rearing grandchildren, a niece, and a minor brother whose parents are dead. These employees are prohibited by State law from adopting children so closely related. In other cases, employees are bringing up children under preadoption agreements.

The Commission reports that the cost of including foster children under family enrollments would be negligible.

Paragraph 4.—This paragraph in conjunction with paragraphs 10 and 11 would remove an existing provision of the present law requiring that a married woman Government employee, if she is to obtain family health coverage, must pay the health-coverage costs for her husband if he is a nondependent husband. Family-plan coverage is available to the family of married women Government employees with the standard Government contribution only if the husband is in a dependent status. Cases have existed, however, in which the husband and wife are separated but not divorced, a circumstance requiring that if the wife desires family coverage for her children, she must pay the entire cost of the coverage for a nondependent husband from whom she is estranged and for whom she wishes to assume no responsibility.

This paragraph would obviate this and other inequities by providing full family coverage for the families of married female employees at no additional cost to the employee, whether the husband is dependent or not.

The estimated cost of this amendment to the Government would be approximately \$3 million per annum at present contribution rates.

Paragraphs 5 and 6.—The present act requires that if an employee is to continue his health-insurance coverage into retirement, he (1) must have been enrolled for not less than the 5 years immediately preceding his retirement or (2) must have enrolled during his first opportunity. This provision was enacted to prevent employees from enrolling immediately prior to retirement for the sole purpose of enjoying the health-benefits program as a retiree.

When the health-benefits program was put into operation in 1960, the Civil Service Commission and the employing agencies made every effort to advise all employees, both in writing and in meetings, of the provisions of the program. Some employees apparently did not avail themselves of the first opportunity to enroll, however, possibly because of the newness of the program and a failure to understand the importance of initial enrollment. This amendment would enable employees who enrolled through December 31, 1963, to retain their

health plans in retirement. Without this amendment, they would be ineligible for this coverage because they did not enroll at the first opportunity. This amendment would operate retroactively as well as prospectively, being applicable to enrolled employees retiring on or after the date of enactment who had no eligibility for health coverage as annuitants, as well as annuitants in the same situation who have already retired.

This liberalization is extended only to those retired employees who were enrolled in a health plan and met all other requirements at the time of retirement except that they had not enrolled at the first opportunity. It does not provide that coverage has been in effect retroactively; nor does it apply to retirees who retired without ever having been enrolled in a plan.

Paragraph 7.—This paragraph would authorize the Civil Service Commission to terminate the contract of any insurance carrier at the end of a contract term if, during the preceding 2 contract periods, the carrier did not have 300 or more employees and annuitants enrolled in its plan. The Civil Service Commission has reported that the costs of contract negotiations and settlement, the preparation of brochures, and other administrative processes and operations required for the continuance of such plans are disproportionate to the advantages accruing from their continuance.

There are currently 5 plans with a combined enrollment of 538 whose contracts could be terminated under this amendment. This proposed change grants discretionary authority only to the Commission, and it is the committee's understanding upon assurances from the Commission that no contract will be terminated unless there is another insurance plan of the same kind available to provide coverage for the Federal employees in the area involved.

For example, if in a sparsely populated community there were only one group health plan and no others in operation, and if this single plan carried fewer than 300 employees or annuitants, the Commission would not terminate its contract under this paragraph, since coverage of the same kind would not be available through another carrier. The Commission reports, however, that in an area where a similar plan were in operation, it would be to the advantage of the program as a whole to terminate a carrier's contract if the conditions described above exist.

Paragraph 8.—The present act requires a former employee or annuitant who elects to convert to a nongroup contract to have his contract approved by the Commission. This paragraph would eliminate the requirement for review and approval by the Commission of the conversion contract.

The committee is advised that the terms and conditions which are normally scrutinized by the Commission are generally subject to regulation by State law. The Commission's view is that it cannot well review all conversion contracts that can be offered under State law. In many cases, terms are specified by State law and regulations and cannot be changed by the Commission. The Commission advises that its review does little to improve conversion contracts and tends to limit the number available to Federal employees. As protection to the employee or annuitant, the Commission states that it will continue to provide in its contracts that carriers must offer conversion contracts meeting all the important requirements of law and regulation, such as noncancelability and elimination of waiting periods.

Paragraph 9.—The present act requires that a choice of a cancelable or noncancelable conversion policy be offered the employee or annuitant who elects to convert to a nongroup contract. This paragraph eliminates the requirement that this choice be offered, the result being only the requirement that a noncancelable policy be offered for conversion purposes. The reason for this change is that there have been no requests for cancelable conversion policies, since it is possible to revoke the protection offered by such a policy at any time.

Paragraph 10.—Paragraph 10 is discussed under the heading “Paragraph 4.”

Paragraph 11.—This paragraph corrects a technical defect in the present law whereby the Government contribution for the low-priced plan might be more than 50 percent. The literal wording of the present law would require a Government contribution of more than 50 percent when the low option of a plan costs more than the minimum contribution prescribed by law but less than the lowest priced Government-wide option. This amendment limits the Government contribution to 50 percent at the most.

Paragraph 12.—The Health Benefits Act established a fund into which the contributions of those insured and the Government are paid. Percentages of these contributions are set aside to establish two types of reserves: an administrative-expense reserve to pay the Commission’s expenses; and a contingency reserve for each plan, for use in defraying future rate increases, for reducing contributions when possible, or for increasing benefits.

The administrative-expense reserve is an amount determined by the Commission as adequate but not to exceed 1 percent of all contributions. The contingency reserve set-aside similarly may not exceed 3 percent.

The 1-percent set-aside has accumulated a sum more than adequate to pay administrative expenses. Paragraph 12 would authorize the Commission to reduce the administrative-reserve fund and to avoid accumulation by transferring the excess to the contingency reserves, where it can be utilized to benefit subscribers. Unused funds would be allocated to the contingency reserves of participating plans in proportion to the subscription charges of the plans.

The Commission advises that a reduction in the 1-percent set-aside would necessitate changes of a few cents each per pay period in the amounts withheld from the pay of more than 2 million participants. The expense of making these payroll changes can be avoided if the authority provided by paragraph 12 is enacted.

Paragraph 13.—This paragraph amends the Health Benefits Act by the addition of the following language:

“(d)(1) Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.

“(2) Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination.”

This new subsection, by permitting the reserve funds of an employee-organization health plan to be transferred to the health plan of another employee organization as part of an organization merger, deals in an equitable way with a situation unforeseen when the organic measure was enacted.

The committee's attention was specifically drawn to this set of circumstances in connection with a merger which took place in May 1961 between the National Federation of Post Office Clerks and the United National Association of Post Office Craftsmen. In July 1961 a further merger took place, in which the National Postal Transport Association merged with the two previously consolidated associations to form the present United Federation of Postal Clerks. The United National Association of Post Office Craftsmen (UNAPOC) and the National Federation of Post Office Clerks operated extensive health-benefits plans. In the course of negotiations leading up to the merger, it was agreed that both plans would continue to operate after the merger and until the next “open season” scheduled for October 1961.

At that time, when an option was granted employees to switch plans, those enrolled in the UNAPOC plan could change to the plan operated by the successor organization. Approximately 79 percent of the UNAPOC enrollees switched to the plan of the United Federation of Postal Clerks during the “open season.” The reserve funds built up by the UNAPOC plan and belonging to those who had been members of it may not now under existing law be transferred to the plan of the United Federation of Postal Clerks. The reserve funds exist in a limbo from which they may not be removed so that they can be of benefit to those members of the United Federation of Postal Clerks plan to whom they rightfully belong.

This difficulty has been discussed in detail with responsible officials of the U.S. Civil Service Commission, who have been thoroughly apprised of the details surrounding it. Books and other papers of the organizations concerned have been inspected by the Commission, the committee is advised. The Commission endorses and recommends this amendment, seeing it as a solution to the existing problem and a method for handling further such occurrences. It is the committee's understanding that upon the enactment of this measure, the reserve funds of the plan operated by the United National Association of Post Office Craftsmen may be transferred and paid out without encumbrance to the plan of the United Federation of Postal Clerks.

Paragraph 13 also makes provision for the disposition of the contingency reserves of discontinued plans, the act of 1959 being silent in this regard. This paragraph authorizes the Civil Service Commission, except in the case of a plan discontinued through merger, to

pro rate the contingency reserves of a discontinued plan among those other plans remaining in the program for the contract term following that in which the termination occurs. Each reserve would be credited in proportion to the amount of the subscription charges paid and accrued for the year of termination.

This amendment would establish an orderly means of disposing of the contingency reserves of discontinued plans. Equity would be served by crediting each plan remaining in the program in proportion to the amount of its premiums for the year in which the discontinuance of one or more plans occurs. By this means, the contingency reserve funds of discontinued plans would be distributed roughly in accordance with the number of members covered by each of the remaining plans.

Paragraph 14.—Under the present law, an employee who is erroneously removed or suspended from his position and then restored is deprived of coverage and benefits during the period of his removal. The employee's coverage, when he is restored, is made retroactive, adjustment of premiums and claims being made back to the date of his removal. It has occurred that employees erroneously removed have had, during the period of suspension, no need of health coverage. They were impelled under existing law, however, to pay back premiums, even though they would have filed no claims for coverage had they been on the job. This amendment would permit a restored employee to elect either retroactive coverage or enrollment as a new employee. Thus an employee could elect to enroll afresh if he had not needed retroactive coverage, because he had little or no medical expense or because he had bought other health insurance during the period of removal.

Section 2.—This section would establish the effective date of the elimination of the discrimination in premium contributions against married women at the first day of the first pay period 90 days after enactment. This section would allow Government payroll offices to prepare for the changes which paragraphs 4, 10, and 11 will bring about.

COST

With the exception of the estimated cost of \$3 million per annum to equalize health-benefits coverage as between men and women, enactment of this measure will not result in any net added costs. The Commission estimates, in fact, that minor savings in administrative expenses will result.

HEARINGS

Public hearings on S. 1561 were conducted June 24, 1963, by the Health Benefits and Life Insurance Subcommittee.

AGENCY VIEWS

Following are letters of transmittal and statements of purpose and justification on the provisions of S. 1561 from the U.S. Civil Service Commission:

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 8, 1963.

HON. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: The Civil Service Commission is submitting with this letter, for the consideration of the Congress, proposed amendments to the Federal Employees Health Benefits Act. The proposed amendments would remove certain inequities in the application of the act and simplify its administration. Enclosed are a draft bill, sectional analysis, and a statement of purpose and justification which, respectively, set forth, analyze, and give reasons for the proposed amendments. These state the nature of the proposals specifically and in detail.

The Bureau of the Budget advises that there would be no objection from the standpoint of the administration's program to submission of the draft bill.

A similar letter is being sent the Speaker of the House of Representatives.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, JR., *Chairman.*

STATEMENT OF PURPOSE AND JUSTIFICATION

Our experience to date under the Federal Employees Health Benefits Act has revealed a number of problems which arise from the application of the act to particular circumstances, some of which were unforeseen prior to enactment of the law. The purpose of the proposed legislation is to solve some of these problems, remove certain inequities in the application of the act, and simplify its administration. No added Government costs will result from the proposed changes. They will instead produce minor savings, the amount of which cannot be estimated.

The proposals have been stated in the sectional analysis and the reasons for the amendments follow.

(1) and (2) are intended to eliminate termination of eligibility for health-benefits coverage where an enrolled employee becomes entitled to employees' compensation based on an injury suffered before enactment of the act. The compensable disability may remit and recur again and again. Each time the individual returns to the active rolls as an employee he is eligible to enroll as an employee and each time he goes on the compensation rolls he loses eligibility. This is unfair to the individual and complicates administration. The proposed amendment, by changing the definition of annuitant, would permit the employee enrolled under the Federal Employees Health Benefits Act to take his coverage with him, as an annuitant, when he returns to the compensation rolls.

(3) Customarily health benefits insurers have included foster children in family memberships. They were not so included under the Federal program and the result was an

increased cost of health benefits to some employees. Among cases which have come to our attention are those of three employees who are, respectively, rearing grandchildren, a niece, and a minor brother, whose parents are dead. In each of these cases the employee is precluded by State law from adopting children so closely related. In other cases employees are rearing children under preadoption agreements. The latent additional cost of covering foster children is negligible.

(4) Under present law an employee in order to continue coverage after retirement must have been enrolled for not less than the 5 years immediately preceding his retirement or must have enrolled during the first enrollment period. The Commission and other involved agencies made every effort to inform all employees concerning the health program. However, some employees, because of the newness of the program and a failure to comprehend the importance of initial enrollment, did not avail themselves of the first opportunity to enroll. The present amendment will enable those who enroll up through December 31, 1963, to keep their health plans after retirement.

(5) This provision would permit the Commission to terminate the contract of any carrier at the end of a contract period if during the preceding 2 contract periods the carrier did not have 300 or more employees and annuitants enrolled in its plan. There are currently (December 1962) 5 plans, with a combined enrollment of 538, whose contracts could be terminated under this proposed authority. The amendment here proposed would impose little, if any, additional workload upon the Commission. The costs of contract negotiation and settlement, preparation of brochures, and other administrative processes and operations necessary for such plans are disproportionate to any advantage resulting from their inclusion as carriers.

(6) The present act requires a former employee or annuitant who elects to convert to a nongroup contract to pay the full periodic charges on such terms and conditions as are prescribed by the carrier and approved by the Commission. These terms and conditions are generally subject to regulation by State law. The Commission cannot well review all conversion contracts that can be offered under State law. In many cases terms are specified, at least in part, by State laws and regulations, and cannot be altered by the Commission. Consequently review by the Commission does little to improve the conversion contracts and tends to limit the number of conversion contracts available to departing Federal employees to those which have been filed with the Commission and processed by the Commission's staff. The Commission will continue to provide in its contracts that carriers must offer conversion contracts which meet certain requirements of law and regulations, such as noncancelability and elimination of waiting periods.

(7) Present law requires that the employee or annuitant be offered the choice of a cancelable or noncancelable conversion policy. There have been no requests for cancelable

conversion policies. Moreover, the protection offered by such a policy is somewhat illusory as it can be revoked at any time. Under the circumstances it would seem to be in the best interest of Federal employees to require only that a noncancelable policy be offered for conversion purposes. This would not prohibit a carrier offering the additional option of a cancelable policy if it so desired.

(8) The literal wording of section 7(a)(2) of the present law would require a Government contribution amounting to more than 50 percent when the lowest priced Government-wide option costs more than the minimum prescribed by law and the employee enrolls in a plan costing more than the legal minimum but less than the lowest priced Government-wide option. This does not appear to have been the intent of Congress. This amendment limits the Government contribution to 50 percent at most in cases of this sort.

(9) Two of the original plans have already discontinued participation in the Federal employees health benefits program. The present act makes no provision for the disposition of the contingency reserves of discontinued plans. The proposal herein made is, we feel, an equitable method of disposing of these funds. Each plan will be credited in proportion to the amount of its premiums for the year of discontinuance—which, roughly, reflects the number of persons covered by the plan.

(10) The present law provides that an employee who is removed or suspended and then restored to duty shall not be deprived of coverage and benefits for the interim period. To this end it requires appropriate adjustments in contributions and claims. The proposed amendment would permit a restored employee to elect whether to have retroactive coverage, or to enroll as a new employee. Restored employees will not need or want retroactive coverage where their medical expenses during the period of removal or suspension are minor.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 20, 1963.

HON. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: The Civil Service Commission is submitting with this letter, for the consideration of the Congress, a proposed amendment to the Federal Employees Health Benefits Act. The proposed amendment would authorize the Commission to transfer unused funds from the administrative expense reserve created by the act to the contingency reserves of the various health plans in proportion to their annual subscription charges. A draft bill and a statement of purpose and justification are enclosed.

The Bureau of the Budget advises that enactment of the proposed legislation will be consistent with the administration's objectives. A similar letter is being sent to the Speaker of the House of Representatives.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

STATEMENT OF PURPOSE AND JUSTIFICATION

The Federal Employees Health Benefits Act of 1959 creates an employees health benefits fund into which are paid contributions of employees, annuitants, and the Government. Section 8(b) of the act reads in part as follows:

“(b) Portions of the contributions made by employees, annuitants, and the Government shall be regularly set aside in the Fund as follows: (1) a percentage, not to exceed one per centum of all such contributions, determined by the Commission as reasonably adequate to pay the administrative expenses made available by section 9; (2) for each health benefits plan, a percentage, not to exceed three per centum of the contributions toward such plan, determined by the Commission as reasonably adequate to provide a contingency reserve. * * *”

The purpose of the proposed legislation is to authorize the Commission to transfer unneeded funds from the administrative expense reserve to the contingency reserves of the various plans in proportion to the subscription charges they have received in the preceding contract term.

By regulation, the Commission has, since the start of the health benefits program, been setting aside 1 percent of contributions as a reserve for its expense in administering the program. At the outset it was not possible to estimate with precision what the administrative costs would be. While the 1-percent set-aside proved reasonable in implementing the program, experience has shown that the continued setting aside of 1 percent of contributions will accumulate a sum which is more than reasonably adequate to pay administrative expenses and that a smaller percentage would, under normal circumstances, be reasonably adequate.

Several alternative proposals for avoiding an unreasonable accumulation in the fund have been considered, but each has disadvantages. For example, the Commission could simply reduce the 1 percent and set aside a lesser percentage for administrative purposes as of the new contract term beginning in November 1963. This could be done efficiently if at the start of the new contract term all plans changed their subscription charges. But, as far as we can foresee, all plans will never simultaneously change their subscription charges. Therefore, in order to now reduce (and perhaps later increase) the set-aside (presently about \$0.08 per employee per biweekly pay period), it would be necessary to make payroll changes for all of the more than 2 million employees and annuitants enrolled in the program.

The contingency reserves of the individual health plans may be used to defray increases in future premium rates, reduce the contributions of employees and the Government, or to increase the benefits provided by the plans. The legislation proposed will enable the Commission to transfer excess administrative reserves to increase contingency reserves where the funds transferred would be available to give a direct benefit to employees. The allocation of these

funds to plans in proportion to their subscription charges is, we feel, an equitable method.

Enactment of the proposal would authorize a procedure in fund management analogous to the manner in which the Federal employees life insurance fund is administered. Under the Federal Employees' Group Life Insurance Act the entire fund, composed of employee and Government contributions, except for the Civil Service Commission's actual administrative expenses, is available to meet premium payments, including increases in those payments which might arise because of various contingencies. The health benefits fund is presently less fluid because of the restriction on use of the administrative expense reserve. Allowing the Commission to transfer excess administrative reserve funds to contingency reserves would permit more flexible use of the administrative reserve fund, comparable to the life insurance method which has proved satisfactory.

Another advantage would accrue immediately upon enactment of the legislation. Enactment would permit reduction of the administrative reserve to the optimum level immediately and enable it to be kept there without periodic adjustment of the set-aside.

The legislation will not require any increase in staff or existing level of expenditures.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

* * * * * * *

SEC. 2. As used in this Act—

* * * * * * *

(c) "Annuitant" means—

* * * * * * *

(3) an employee who receives monthly compensation under the Federal Employees' Compensation Act [as a result of injury sustained or illness contracted on or after such date of enactment] and who is determined by the Secretary of Labor to be unable to return to duty, and

(4) a member of a family who receives monthly compensation under the Federal Employees' Compensation Act as the surviving beneficiary of (A) an employee who, having completed five or more years of service, dies as a result of illness or injury compensable under such Act or (B) a former employee who is separated after having completed five or more years of service and who dies while receiving monthly compensation under such Act [on account of injury sustained or illness contracted on or after such

date of enactment】 and has been held by the Secretary of Labor to have been unable to return to duty.

* * * * *

(d) "Member of family" means an employee's or annuitant's spouse and any unmarried child (1) under the age of nineteen years (including (A) an adopted child, and (B) a 【stepchild】 *stepchild, foster child*, or recognized natural child who lives with the employee or annuitant in a regular parent-child relationship), or (2) regardless of age who is incapable of self-support because of mental or physical incapacity that existed prior to his reaching the age of nineteen years.

【(e) "Dependent husband" means a husband who is incapable of self-support by reason of mental or physical disability which can be expected to continue for more than one year.】

* * * * *

ELECTION OF COVERAGE

SEC. 3. (a) Any employee may, at such time, in such manner, and under such conditions of eligibility as the Commission may by regulation prescribe, enroll in an approved health benefits plan described in section 4 either as an individual or for self and family. Such regulations may provide for the exclusion of employees on the basis of the nature and type of their employment or conditions pertaining thereto, such as, but not limited to, short-term appointments, seasonal or intermittent employment, and employment of like nature, but no employee or group of employees shall be excluded solely on the basis of the hazardous nature of their employment.

(b) Any annuitant who at the time he becomes an annuitant shall have been enrolled in a health benefits plan under this Act—

(1) for a period not less than (A) the five years of service immediately preceding retirement or (B) the full period or periods of service between the last day of the first period, as prescribed by regulations of the Commission, in which he is eligible to enroll in such a plan and the date on which he becomes an annuitant, whichever is shorter, or (C) *the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1963, and ending with the date on which he becomes an annuitant, or*

* * * * *

(g) *Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before July 1, 1964, and under such other conditions of eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan described in section 4 either as an individual or for self and family.*

* * * * *

CONTRACTING AUTHORITY

SEC. 6. (a) The Commission is authorized, without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding, to enter into contracts with qualified carriers offering plans described in section 4. Each such contract shall be for a uniform term of at least one year, but may be made automatically renewable from term to term in the absence of notice of termination by either party.

* * * * *

(d) The Commission is authorized to prescribe regulations fixing reasonable minimum standards for health benefits plans described in section 4 and for carriers offering such plans. Approval of such a plan shall not be withdrawn except after notice, and opportunity for hearing without regard to the Administrative Procedure Act, to the carrier or carriers concerned. *The Commission may terminate the contract of any carrier effective at the end of a contract term if the Commission finds that at no time during the preceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan.*

* * * * *

(f) No contract shall be made or plan approved which does not offer to each employee and annuitant whose enrollment in the plan is terminated, other than by a cancellation of enrollment, a temporary extension of coverage during which he may exercise the option to convert, without evidence of good health, to a nongroup contract providing health benefits. An employee or annuitant who exercises this option shall pay the full periodic charges of the nongroup [contract, on such terms or conditions as are prescribed by the carrier and approved by the Commission] contract.

(g) The benefits and coverage made available pursuant to the provisions of subsection (f) shall [at the option of the employee or annuitant,] be noncancelable by the carrier except for fraud, overinsurance, or nonpayment of periodic charges.

* * * * *

SEC. 7. (a)(1) Except as provided in paragraph (2) of this subsection, the Government contribution for health benefits for employees or annuitants enrolled in health benefits plans under this Act, in addition to the contributions required by paragraph (3), shall be 50 per centum of the lowest rates charged by a carrier for a level of benefits offered by a plan under paragraph (1) or paragraph (2) of section 4, but (A) not less than \$1.25 or more than \$1.75 biweekly for an employee or annuitant who is enrolled for self alone, and (B) not less than \$3 or more than \$4.25 biweekly for an employee or annuitant who is enrolled for self and family [(other than as provided in clause (C) of this paragraph), and (C) not less than \$1.75 or more than \$2.50 biweekly for a female employee or annuitant enrolled for self and family including a nondependent husband].

[(2) For an employee or annuitant enrolled in a plan described under section 4 (3) or (4) for which the biweekly subscription charge is less than \$2.50 for an employee or annuitant enrolled for self alone or \$6 for an employee or annuitant enrolled for self and family, the

contribution of the Government shall be 50 per centum of such subscription charge, except that if a nondependent husband is a member of the family of a female employee or annuitant who is enrolled for herself and family the contribution of the Government shall be 30 per centum of such subscription charge.】

(2) *For an employee or annuitant enrolled in a plan described under section 4 (3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge.*

* * * * *

EMPLOYEES HEALTH BENEFITS FUND

SEC. 8. (a) * * *

(b) Portions of the contributions made by employees, annuitants, and the Government shall be regularly set aside in the Fund as follows: (1) a percentage, not to exceed 1 per centum of all such contributions, determined by the Commission as reasonably adequate to pay the administrative expenses made available by section 9; (2) for each health benefits plan, a percentage, not to exceed 3 per centum of the contributions toward such plan, determined by the Commission as reasonably adequate to provide a contingency reserve. *The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term preceding the contract term in which the transfer is made. The income derived from any dividends, rate adjustments, or other refunds made by a plan shall be credited to its contingency reserve. The contingency reserves may be used to defray increases in future rates, or may be applied to reduce the contributions of employees and the Government to, or to increase the benefits provided by, the plan from which such reserves are derived, as the Commission shall from time to time determine.*

(c) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States and to sell such obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

(d)(1) *Whenever the assets, liabilities and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.*

(2) *Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under*

this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination.

* * * * *

ADMINISTRATION

SEC. 10. (a) The Commission is authorized to promulgate such regulations as may be necessary to carry out the provisions of this Act.

* * * * *

[(c) Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted shall not be deprived of coverage or benefits for the interim but shall have his coverage restored to the same extent and effect as though such removal or suspension had not taken place, and appropriate adjustments shall be made in premiums, subscription charges, contributions, and claims.]

(c) *Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted may, at his option, enroll as a new employee or have his coverage restored to the same extent and effect as though his removal or suspension had not taken place with appropriate adjustments made in contributions and claims.*

○

Calendar No. 621

88TH CONGRESS
1ST SESSION

S. 1561

[Report No. 642]

IN THE SENATE OF THE UNITED STATES

MAY 17, 1963

Mr. JOHNSTON (by request) introduced the following bill; which was read twice
and referred to the Committee on Post Office and Civil Service

NOVEMBER 13 (legislative day, OCTOBER 22), 1963

Reported by Mr. RANDOLPH, with amendments

[Omit the part struck through and insert the part printed in *italic*]

A BILL

To amend the Federal Employees Health Benefits Act of 1959.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the Federal Employees Health Benefits Act of 1959
4 (5 U.S.C. 3001-3014) is hereby amended as follows:

5 (1) Section 2 (c) (3) is amended by striking the words
6 "as a result of injury sustained or illness contracted on or
7 after such date of enactment".

8 (2) Section 2 (c) (4) is amended by striking the words
9 "on account of injury sustained or illness contracted on or
10 after such date of enactment".

1 (3) Section 2 (d) is amended by inserting, after “step-
2 child”, “, foster child,”.

3 (4) *Section 2(e) is repealed.*

4 ~~(4)~~ (5) Section 3 (b) (1) is amended by inserting,
5 after “~~or~~” in line six, “or”, *the last word in the paragraph,*
6 *the following: “(C) the full period or periods of service*
7 *beginning with the enrollment which became effective not*
8 *later than December 31, 1963, and ending with the date on*
9 *which he becomes an annuitant, or”.*

10 (6) *Section 3 is amended by adding the following sub-*
11 *section:*

12 “(g) *Any annuitant (including an individual receiving*
13 *monthly compensation as a result of injury sustained prior*
14 *to the effective date specified in section 16 and who would be*
15 *an annuitant if the injury or illness had been sustained or*
16 *contracted on or after that date) who at the time he became*
17 *an annuitant shall have been enrolled in a health benefits*
18 *plan under this Act and who at the time he became an an-*
19 *nuitant was ineligible to continue his enrollment may, upon*
20 *his application before July 1, 1964, and under such other*
21 *conditions of eligibility as the Commission may by regula-*
22 *tion prescribe, prospectively enroll in an approved health*
23 *benefits plan described in section 4 either as an individual*
24 *or for self and family.”*

1 ~~(5)~~ (7) Section 6 (d) is amended by the addition of a
2 sentence reading as follows:

3 “The Commission may terminate the contract of any
4 carrier effective at the end of a contract ~~term~~, term if the
5 Commission finds that at no time during the preceding two
6 contract terms did the carrier have three hundred or more
7 employees and annuitants (exclusive of family members)
8 enrolled for its plan.”

9 ~~(6)~~ (8) Section 6 (f) is amended by placing a period
10 after the word “contract” in the last sentence and striking
11 the remainder of the sentence.

12 ~~(7)~~ (9) Section 6 (g) is amended by striking “, at the
13 option of the employee or annuitant,”.

14 (10) Section 7(a)(1) is amended by inserting the word
15 “and” at the end of clause (A) and by striking out the fol-
16 lowing: “(other than as provided in clause (C) of this para-
17 graph), and (C) not less than \$1.75 or more than \$2.50
18 biweekly for a female employee or annuitant enrolled for self
19 and family including a nondependent husband”.

20 ~~(8)~~ (11) Section 7 (a) (2) is amended to read as fol-
21 lows:

22 “(2) For an employee or annuitant enrolled in a plan
23 described under section 4 (3) or (4) for which the biweekly
24 subscription charge is less than twice the Government con-

1 tribution established under paragraph (1) of this subsection,
 2 the Government contribution shall be 50 per centum of the
 3 subscription charge, except that if a nondependent husband
 4 is a member of the family of a female employee or annuitant
 5 who is enrolled for herself and family the contribution of the
 6 Government shall be 30 per centum of such subscription
 7 charge."

8 ~~(9)~~ Section ~~(8b)~~ is amended by the addition of the
 9 following:

10 "Whenever a contract with a plan approved under sec-
 11 tion ~~4(3)~~ or ~~4(4)~~ is terminated, the contingency reserve
 12 credited to that plan shall be credited to the contingency
 13 reserves of the plans continuing under this Act for the con-
 14 tract term following that in which termination occurs, each
 15 reserve to be credited in proportion to the amount of the
 16 premiums paid and accrued to the plan for the year of
 17 termination."

18 (12) Section 8(b) is amended by inserting after the first
 19 sentence thereof, the following new sentences:

20 "The Commission, from time to time and in such amounts
 21 as it considers appropriate, may transfer unused funds for
 22 administrative expenses to the contingency reserves of the
 23 plans then under contract with the Commission. When funds
 24 are so transferred, each contingency reserve shall be credited
 25 in proportion to the total amount of the subscription charges

1 paid and accrued to the plan for the contract term immediately
 2 preceding the contract term in which the transfer is made."

3 total 1(13) Section 8 is amended by adding the following sub-
 4 section:

5 "(d) (1) Whenever the assets, liabilities and member-
 6 ship of employee organizations sponsoring or underwriting
 7 plans approved under section 4(3) have been or are here-
 8 after merged, the assets (including contingency reserves) and
 9 liabilities of the plans sponsored or underwritten by the
 10 merged organizations shall, at the beginning of the contract
 11 term next following the date of the merger or enactment of this
 12 subsection, be transferred to the plan sponsored or underwritten
 13 by the successor organization. Each employee or annuitant
 14 hereafter affected by a merger shall also be transferred to the
 15 plan sponsored or underwritten by the successor organization
 16 unless he enrolls in another plan under this Act.

17 "(2) Except as provided in paragraph (1) of this sub-
 18 section, whenever a plan described under section 4(3) or
 19 4(4) is or has been discontinued under this Act, the con-
 20 tingency reserve of that plan shall be credited to the con-
 21 tingency reserves of the plans continuing under this Act for
 22 the contract term following that in which termination oc-
 23 curs, each reserve to be credited in proportion to the amount
 24 of the subscription charges paid and accrued to the plan for
 25 the year of termination."

1 ~~(10)~~ (14) Section 10 (c) is amended to read as follows:

2 ~~“Any~~ “(c) Any employee enrolled in a plan under this
 3 Act who is removed or suspended without pay and later re-
 4 instated or restored to duty on the ground that such removal
 5 or suspension was unjustified or unwarranted may, at his
 6 option, enroll as a new employee or have his coverage re-
 7 stored to the same extent and effect as though ~~such~~ his re-
 8 moval or suspension had not taken place with appropriate
 9 adjustments made in contributions and claims.”

10 SEC. 2. Paragraphs 4, 10, and 11 of section 1 shall
 11 take effect on the first day of the first period which begins at
 12 least ninety days after the date of enactment of this Act.

[Report No. 642]

A BILL

To amend the Federal Employees Health
Benefits Act of 1950.

By Mr. JOHNSTON

MAY 17, 1963

Read twice and referred to the Committee on Post
Office and Civil Service

NOVEMBER 13 (legislative day, OCTOBER 22), 1963

Reported with amendments

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Nov. 18, 1963
For actions of Nov. 15, 1963
88th-1st; No. 185

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HIGHLIGHTS: Senate passed foreign aid bill. Senate agreed to consider separately Mundt amendment on wheat for Russia. Sen. McCarthy spoke in favor of sending Mexican farm labor bill to conference. Sen. Humphrey explained sales of surplus commodities for export on credit. Senate received USDA proposal to amend assault statute.

SENATE

1. **FOREIGN AID.** Passed 63-17, with amendments H. R. 7885, the foreign aid authorization bill (pp. 20843-4, 20849-53, 20857-95). Senate conferees were appointed (p. 20895). After debate on wheat for Russia, and following consultation, the Mundt amendment was withdrawn, and it was agreed that a separate bill by Sen. Mundt (to prohibit any guarantee by the Export-Import Bank or any other Government agency of payment of obligations of Communist countries) would be considered by the Senate on Nov. 25 or 26 (pp. 20857-65). Sen. Humphrey commended the Alliance for Progress and development of foreign trade (pp. 20922-6).
2. **FARM LABOR.** Sen. McCarthy recommended that the Senate insist on a conference on S. 1703, to extend the Mexican farm labor program, rather than agree to the bill in the form passed by the House. pp. 20895-8
3. **ASSAULT STATUTE.** Received from this Department a proposed bill to amend the assault statute (making it a Federal offense to assault or otherwise hamper certain Federal personnel) by extending this statute to all USDA officers and employees engaged in investigation, inspection, or law enforcement, and to

ASC committee personnel when so engaged; to Judiciary Committee. p. 20842

4. CCC EXPORT SALES. Sen. Humphrey explained how the CCC export credit sales program works. pp. 20920-2

5. PUBLIC WORKS. Sen. McNamara announced formation of the accelerated public works program. p. 20843

6. D. C. APPROPRIATION BILL. This bill, H. R. 7431, was made the unfinished business. p. 20900

7. HEALTH. Passed as reported S. 1561, to amend the Federal Employees Health Benefits Act of 1959 including provisions which would eliminate the discrimination against married women in respect to the contribution made by the Government toward their insurance premium and allow payroll officers adequate time to prepare for this change; and also would allow previously retired employees who did not have an opportunity to carry their health insurance into retirement to do so. pp. 20898-9

8. SPENDING. Sen. Metcalf inserted an article "What Everybody Wants to Know About Deficit Spending" explaining "how deficit spending is a national blessing." pp. 20901-9

9. CREDIT CONTROL. Sen. Simpson inserting an article discussing the pro's and con's of Sen. Douglas' bill to require disclosure of finance charges in connection with extension of credit. pp. 20910-12

10. WATER RESOURCES. Sen. Burdick inserted the resolutions by the N.D. Water Users Association urging Interior and the Budget Bureau to complete the studies of Missouri River Basin power and cost sharing for recreation and fish and wildlife; and commending and supporting the Government's land and water resource programs while urging Congress to initiate construction of the Bowman-Haley dam and completion of investigations on 15 other projects. pp. 20915-6

11. AREA DEVELOPMENT. Sen. Muskie inserted a news release which "outlines the benefits of a Maine firm received under the area redevelopment job training program." pp. 20916-7

12. LEGISLATIVE PROGRAM. Sen. Mansfield stated that, in addition to the D.C. appropriation bill, Monday's legislative program includes the Mexican farm labor bill, conference report on the legislative appropriation bill, independent offices appropriation bill, and air pollution bills, and that the library service bill will also be brought up during the week. p. 20895

13. RECESSED until Mon., Nov. 18. p. 20927.

HOUSE

14. PUBLIC WORKS. The Appropriations Committee voted to report (but did not actually report) H.R. 9140, the public works appropriation bill, 1964. p. D900

15. RECREATION. The National Parks Subcommittee of the Interior and Insular Affairs Committee voted to report to the full committee with amendment H.R. 4010 to provide an adequate basis for administration of the Lake Mead National Recreation Area, Ariz. and Nev. p. D900

is not in the interest of the citizens of our Nation who are migrants, nor is it in the interest of many producers across our land. If, if passed, will help a small minority of growers at the expense of justice to many.

I am writing this letter urging you to uphold the progress made in the discontinuance of Public Law 78 some weeks ago.

Sincerely yours,

GEORGE K. TJADEN,
State Director, Ministry to Migrants,
Minnesota Council of Churches.

NATIONAL ADVISORY COMMITTEE
ON FARM LABOR,
July 29, 1963.

DEAR SENATOR MCCARTHY: When the House, on May 29, voted down efforts to extend Public Law 78 for 2 years, they were responding to the overwhelming evidence presented in opposition to any extension of the Mexican farm labor program.

Enclosed for your attention is a copy of a letter signed by 44 prominent leaders in all walks of life and sent to each Member of the House prior to this vote. The arguments stated in this letter still hold true.

Furthermore, there is no validity to the argument that a "sudden" cutoff of braceros would work undue hardship on their employers. With no further extension of Public Law 78, this program has another 5 months to run. This is ample time in which to improve wages and working and living conditions, and to set up procedures to recruit qualified domestic farmworkers.

The action of the Senate Agriculture and Forestry Committee in reporting out S. 1703, a 1-year extension of Public Law 78, without any public hearings was unconscionable. This 1-year bill, regarded by some as a compromise, is no compromise at all, but an attempt by a comparative few large growers to extend a program for which there is no justification.

Sincerely yours,

FAY BENNETT,
Executive Secretary.

NATIONAL ADVISORY COMMITTEE
ON FARM LABOR,
May 24, 1963.

(Copy of letter individually addressed to all Representatives.)

Public Law 78, providing for the importation of Mexican farmworkers, will expire at the end of 1963 if no action to extend it is taken by Congress. We urge you to bring this program to an end by voting against H.R. 5497 or any similar bill introduced to extend the program.

This contract labor program was adopted as an emergency measure in 1951, when manpower needs were crucial. But now the proportion of all American farmers using Mexican braceros has dropped to less than 1 percent. The number of braceros used in 1962 was 38 percent less than in 1961; California accounted for 53 percent of the total man-months of Mexican labor and Texas for 26 percent. It has clearly become a program for the benefit of a few.

One of the worst results of the Mexican program through the years is that it has tended to become self-perpetuating, as large growers have come to rely upon it for their labor needs. The existence of an inexhaustible pool of low-paid workers destroys the competition which would encourage employers to make jobs attractive in terms of wages and working conditions. Artificial shortages of farmworkers have occurred when growers, knowing they could fall back on Mexican braceros, have failed to offer a decent living wage to available domestic workers. Despite minor reforms passed by the 87th Congress and Department of Labor efforts for better enforcement of existing regulations, adverse effects on domestic farmworkers continue.

Moreover, increasing mechanization of agriculture is regularly reducing the jobs available to agricultural workers. In 1962 total employment of seasonal hired farm workers declined for the third successive year; so did the number of days worked by individual farm laborers.

Farmworkers also found fewer sources of nonfarm work last year. Lack of farm employment is forcing their migration to the cities, where the need for unskilled workers continues to decline. Surely there is no justification for the importation of foreign workers at a time of rapidly declining opportunities in unskilled and semiskilled employment both on and off the farm.

That domestic agricultural workers can fill the need is shown in the areas where the employment service and growers cooperate through the annual worker plan. This provides the growers with a stable and efficient supply of domestic workers without recourse to foreign recruitment, and at the same time provides the workers with fuller employment, through planned routing to meet the growers' seasonal demands.

We submit that any industry in the country would have a labor shortage if it offered wages below the national minimum; seasonal and irregular work without unemployment compensation; unhealthy working and living conditions; and few of the benefits of social legislation enjoyed by other workers. We believe these conditions in American agriculture are perpetuated by the existence of a foreign contract labor system based on substandard wages.

Ending the inequities faced by American farmworkers will end any artificial labor shortages which have been created. In the name of both justice and commonsense the Mexican program should be allowed to expire.

Sincerely yours,

Dr. Louis H. Bean, Joseph A. Beirne, James B. Carey, Patrick F. Crowley, Helen Gahagan Douglas, Rev. Ralph J. Duggan, John Anson Ford, Dr. L. H. Foster, Prof. Walter Galenson, Rabbi Roland B. Gittelsohn, Rev. Donald S. Harrington, Henry B. Herman, Rt. Rev. Msgr. George G. Higgins, Robert W. Hudgens, Joseph D. Keenan, Rabbi Edward E. Klein, Dr. Harry W. Laidler, Rabbi Eugene J. Lipman, Dr. Seymour M. Lipset, Bishop John Wesley Lord, Dr. Isador Lubin, Archbishop Robert E. Lucey, Rev. Alan McCoy, O.F.M., Rev. Dr. Robert J. McCracken, Dr. John A. Mackay, Dr. Benjamin E. Mays, Dr. Reinhold Niebuhr, Dr. Peter H. Odegard, Bishop James A. Pike, Prof. Daniel H. Pollitt, Very Rev. Msgr. William J. Quinn, A. Philip Randolph, Robert Ryan, Dore Schary, Rev. Roger L. Shinn, Rabbi Samuel D. Soskin, Norman Thomas, Frederick S. Van Dyke, Dr. Maurice T. van Hecke, Rev. James L. Vizzard, S.J., Rev. John A. Wagner, Dr. Gale R. Weaver, Rabbi Jacob J. Weinstein, and Walter P. Reuther.

[From the Washington Post, Nov. 2, 1963]

STOOP LABOR

The House of Representatives let itself be horn-swoggled by a farm lobby that wants to maintain a supply of cheap peasant labor. It passed a bill on Thursday providing for a 1-year extension of Public Law 78, the so-called Mexican farm labor program. Last May, in an exhibition of good morals, good economics, and good sense, the House defeated a bill for a 2-year extension of the program, bringing to an end at long last, it was hoped, an exploitation of Mexican stoop labor which served to deny employment to American farmworkers.

In August, the Senate voted to extend Public Law 78 for 1 year—but with an

amendment providing that Mexican workers may not be recruited for hire on American farms until the Secretary of Labor finds that reasonable efforts have been made to attract domestic workers for the available jobs at wages and hours and with workmen's compensation, housing, transportation, and work period guarantees equal to those offered the braceros.

The House ignored this amendment. We hope the Senate will insist upon it. The farm lobby doesn't like it, of course, because it would raise the costs, while improving the conditions, of farm labor. But without it, the extension of the bracero program amounts to little better than a perpetuation of peonage. If the bill comes to him without the Senate amendment, President Kennedy ought to veto it in simple justice to the tragically deprived American migrant farmworkers.

[From the New York Times, Nov. 3, 1963]

DEFEAT FOR THE MIGRANTS

Once again the corporate farm interests in California, Texas, and Arizona are on their way to using Congress as an instrument for depressing the wages and working conditions of America's most exploited workers—the half million migratory farm laborers and their families.

The House of Representatives 5 months ago voted to kill the program under which hundreds of thousands of Mexicans are brought in each year to supply cheap labor for the harvesting of U.S. crops. Now the House has been induced to reverse itself. It has voted a 1-year extension, devoid even of the strings the Senate attached when it approved a similar extension in August.

Under the Senate bill, benefits equal to those guaranteed the Mexicans in such areas as housing, workmen's compensation, and transportation would have to be offered to domestic workers as well. The House dispensed with even this meager safeguard when the program for importing braceros came up for a second look. The chances seem strong that the Senate will now consent to the same unreserved extension of the old law.

With national unemployment frozen at a rate of more than 5 percent, the continued importation of foreign workers to aid a comparative handful of large corporate farmers is unconscionable. The Senate ought to exercise the opportunity the House action gives it to scrap the entire program. If it sends it forward, the responsibility for a veto will be the President's.

Mr. MCCARTHY. Mr. President, the Senate bill incorporates recommendations made by the administration as the condition under which the Department would support a 1-year extension. After the recent House action, I inquired about the administration's position and received from Secretary of Labor Wirtz a letter stating that the administration is opposed to the 1-year extension, unless amendments are included, recommended by the Department, to protect domestic workers. These are the recommendations which were included in the Senate version. If our information is correct, the advocates of this program hope to have them dropped on the floor of the Senate without so much as even taking them to conference.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a letter to me from Secretary of Labor Wirtz under date of November 1, 1963.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., November 1, 1963.

Hon. EUGENE MCCARTHY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCCARTHY: This is in response to your inquiry requesting a statement describing the administration's position on the extension of Public Law 78.

The administration has continued to maintain the position indicated before the House Subcommittee on Equipment, Supplies, and Manpower of the Committee on Agriculture on March 27. We support a 1-year extension, provided the act is amended to require employers seeking to obtain Mexican workers to demonstrate that they have offered to domestic workers workmen's compensation or occupational insurance coverage, housing, and transportation expenses equivalent to that furnished Mexican workers.

We are opposed to an extension without these amendments.

Yours sincerely,

W. WILLARD WIRTZ,
Secretary of Labor.

Mr. MCCARTHY. I intend to oppose the motion, if it is made, that the Senate accept the House version, and to move to take this matter to conference. It is my hope that if a motion to go to conference is rejected, a majority of the Senate will stand by the position which they took last August and refuse even to extend this program for another year. What we have asked for in the way of protection for American migratory workers is well within the limits of reason. It is hard for me to understand why those who are supporting the program seem unwilling to provide that American migrant workers be given at least a minimum of consideration, of decency, and of reason before they seek to have Mexican nationals compete in this area in which competition is most intense and in which the standards of living, working conditions, and wages are the worst of any segment of the American economy.

FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

Mr. HUMPHREY. Mr. President, I move that the Senate proceed to the consideration of Calendar 621, S. 1561.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 1561) to amend the Federal Employees Health Benefits Act of 1959.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service with amendments on page 2, after line 2, to insert:

(4) Section 2(e) is repealed.

At the beginning of line 4, to strike out "(4)" and insert "(5)"; in line 5, after the word "after", to strike out "or" in line 6, and insert "or", the last word in the paragraph, the following; after line 9, to insert:

(6) Section 3 is amended by adding the following subsection:

"(g) Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before July 1, 1964, and under such other conditions of eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan described in section 4 either as an individual or for self and family."

On page 3, at the beginning of line 1, to strike out "(5)" and insert "(7)"; in line 4, after the word "contract", to strike out "term," and insert "term"; at the beginning of line 9, to strike out "(6)" and insert "(8)"; at the beginning of line 12, to strike out "(7)" and insert "(9)"; after line 13, to insert:

(10) Section 7(a)(1) is amended by inserting the word "and" at the end of clause (A) and by striking out the following: "(other than as provided in clause (C) of this paragraph), and (C) not less than \$1.75 or more than \$2.50 biweekly for a female employee or annuitant enrolled for self and family including a nondependent husband".

At the beginning of line 20, to strike out "(8)" and insert "(11)"; on page 4, line 3, after the word "subscription", to strike out "charge, except that if a nondependent husband is a member of the family of a female employee or annuitant who is enrolled for herself and family the contribution of the Government shall be 30 per centum of such subscription"; after line 7, to strike out:

(9) Section (8b) is amended by the addition of the following:

"Whenever a contract with a plan approved under section 4(3) or 4(4) is terminated, the contingency reserve credited to that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the premiums paid and accrued to the plan for the year of termination."

And, in lieu thereof, to insert:

(12) Section 8(b) is amended by inserting after the first sentence thereof, the following new sentences:

"The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term immediately preceding the contract term in which the transfer is made."

On page 5, after line 2, to insert:

(13) Section 8 is amended by adding the following subsection:

"(d)(1) Whenever the assets, liabilities and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the

merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.

"(2) Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination."

On page 6, at the beginning of line 1, to strike out "(10)" and insert "(14)"; at the beginning of line 2, to strike out "Any" and insert "(c) Any"; in line 7, after the word "though", to strike out "such" and insert "his", and after line 9, to insert a new section, as follows:

SEC. 2. Paragraphs 4, 10, and 11 of section 1 shall take effect on the first day of the first period which begins at least ninety days after the date of enactment of this Act.

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3001-3014) is hereby amended as follows:

(1) Section 2(c)(3) is amended by striking the words "as a result of injury sustained or illness contracted on or after such date of enactment".

(2) Section 2(c)(4) is amended by striking the words "on account of injury sustained or illness contracted on or after such date of enactment".

(3) Section 2(d) is amended by inserting, after "stepchild", "foster child".

(4) Section 2(e) is repealed.

(5) Section 3(b)(1) is amended by inserting, after "or", the last word in the paragraph, the following: "(C) the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1963, and ending with the date on which he becomes an annuitant, or".

(6) Section 3 is amended by adding the following subsection:

"(g) Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before July 1, 1964, and under such other conditions of eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan described in section 4 either as an individual or for self and family."

(7) Section 6(d) is amended by the addition of a sentence reading as follows:

"The Commission may terminate the contract of any carrier effective at the end of a contract term if the Commission finds that at no time during the preceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan."

(8) Section 6(f) is amended by placing a period after the word "contract" in the last sentence and striking the remainder of the sentence.

(9) Section 6(g) is amended by striking “, at the option of the employee or annuitant.”

(10) Section 7(a)(1) is amended by inserting the word “and” at the end of clause (A) and by striking out the following: “(other than as provided in clause (C) of this paragraph), and (C) not less than \$1.75 or more than \$2.50 biweekly for a female employee or annuitant enrolled for self and family including a nondependent husband”.

(11) Section 7(a)(2) is amended to read as follows:

“(2) For an employee or annuitant enrolled in a plan described under section 4 (3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge.”

(12) Section 8(b) is amended by inserting after the first sentence thereof, the following new sentences:

“The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term immediately preceding the contract term in which the transfer is made.”

(13) Section 8 is amended by adding the following subsection:

“(d)(1) Whenever the assets, liabilities and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.

“(2) Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination.”

(14) Section 10(c) is amended to read as follows:

“(c) Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted may, at his option, enroll as a new employee or have his coverage restored to the same extent and effect as though his removal or suspension had not taken place with appropriate adjustments made in contributions and claims.”

Sec. 2. Paragraphs 4, 10, and 11 of section 1 shall take effect on the first day of the first period which begins at least ninety days after the date of enactment of this Act.

Mr. HUMPHREY. Mr. President, does the chairman of the committee wish to make an explanation of the bill?

Mr. JOHNSTON. Mr. President, the pending bill was reported to the full com-

mittee after hearings before the Subcommittee on Health Benefits and Life Insurance conducted by the distinguished Senator from West Virginia [Mr. RANDOLPH]. At this time I wish to pay tribute to him for his leadership in the consideration of this legislation. The bill comes to the Senate by the unanimous vote of the full committee. The bill amends certain features of the present act in order to improve the administration of such act, and incorporates new features which the committee felt were desirable. The cost will be approximately \$3 million.

One of the committee amendments eliminates the disparity between the amount the Government contributes to health insurance premiums for married female employees and other employees, which is only proper. The bill also includes fosterchildren under family enrollment if they are living in a regular parent-child relationship.

There should be no strong opposition to the bill. The bill was introduced by me, and a number of corrections of the present law were proposed by the distinguished Senator from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. JOHNSTON. I yield.

Mr. CARLSON. The Federal Employees Health Benefits Act of 1959 has been one of the most beneficial acts passed by Congress for the benefit of Federal workers. The operation of the program has demonstrated that a few changes would be in the interest of Federal employees, and that is the purpose of the bill. The bill contains several amendments affecting various phases of the statute. All of them are helpful.

Not only do I approve the bill; I endorse it thoroughly, and hope the Senate will pass it unanimously.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JOHNSTON. Mr. President, this program is one of the most far reaching and beneficial in the history of the Federal service. It is now serving 2 million employees plus 4 million family members. I have heard very little criticism of the entire program since it became effective.

Mr. President, I ask unanimous consent to insert in the RECORD a brief analysis which I have prepared on this bill.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

ANALYSIS OF S. 1561

A bill to amend the Federal Employees Health Benefits Act of 1959 to simplify administration of the act and correct certain inequities in the program.

STATEMENT

Paragraphs 1 and 2 would permit enrolled employees to continue their insurance while receiving employee's compensation even though the original injury necessitating compensation occurred prior to the effective date of the act.

Paragraph 3 would include foster children under family enrollment if they are living in

a regular parent-child relationship. Presently, a foster child (an unadopted niece, grandchild, or minor brother or sister, et cetera) is not eligible for coverage.

Paragraphs 4, 10, and part of paragraph 11 would eliminate the discrimination against married women in respect to the contribution made by the Government toward their insurance premium. Under this provision, the Government would contribute the same amount as it contributes to married male employees for self-and-family coverage.

Paragraphs 5 and 6 would allow previously retired employees who did not have an opportunity to carry their health insurance into retirement (because of restrictive provisions in the 1959 act) to do so. This would operate retroactively only to those employees who had health insurance coverage at the time of their retirement, but had not been enrolled for 5 years, or had not enrolled at their first opportunity.

Paragraph 7 would authorize the Commission to terminate the health insurance contracts of carriers having fewer than 300 Federal employee members when such cancellation is considered in the best interests of the program, and when another health insurance plan of a similar kind is available for those employees who belong to the plan affected.

Paragraph 8 would eliminate the requirement that the Commission review and approve conversion contracts. The Commission has found this requirement administratively difficult and unnecessary.

Paragraph 9 eliminates the requirement that a conversion plan offer a cancellable contract. No cancellable contract has ever been requested by an employee.

Paragraph 10 has been discussed above.

Paragraph 11 would prevent the Government's contribution to health insurance from inadvertently exceeding 50 percent of premium costs. This would have no effect upon a subsequent determination by Congress that the Government's contribution should be increased.

Paragraph 12 would provide for an orderly disposition of the assets of a discontinued plan by (proportionately) crediting the contingency reserves of other plans.

Paragraph 13 would permit the reserve funds of one plan to be transferred to a successor plan when employee organizations merge. A case in point is the mergers which led to the organization of the United Federation of Postal Clerks. Its predecessors had insurance plans, one of which had accumulated assets of approximately \$186,000. Under prevailing law, this money cannot be transferred to the new plan and used for the benefit of its members, many of whom belonged to the predecessor organization. The Commission favors this solution to the problem.

Paragraph 14 would allow an employee who has been restored to his position after wrongful removal to elect whether to pay for health insurance for the period during which he was removed, or to choose not to buy retroactive coverage. Under present law, such an employee is required to buy retroactive coverage, even though he may have had no medical expenses during the period.

Section 2 would allow Government payroll officers adequate time to prepare for the changes made by eliminating the contribution discrimination against married female employees.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

DISTRICT OF COLUMBIA APPROPRIATIONS, 1964

Mr. HUMPHREY. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 609, H.R. 7431, the District of Columbia Appropriations bill.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 7431) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1964, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Minnesota.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Appropriations with amendments.

Mr. HUMPHREY. Mr. President, the District of Columbia appropriations bill will be the pending business when the Senate reconvenes on Monday next.

With relation to the appropriations bill for the Government of the District of Columbia, I ask unanimous consent to have printed at this point in the RECORD a letter to the editor of the Washington Post, signed by Inabel B. Lindsay, dean of the School of Social Work, Howard University. The letter was also signed by 25 members of the faculty of the school of social work. The letter is entitled "Dependent Children."

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPENDENT CHILDREN

We as professional social workers feel compelled to express our concern at the denial of aid to dependent children who happen to have unemployed parents.

When the Social Security Act was passed in 1935, it reflected that stage in our national development when we as a nation went on record as believing that income maintenance was a national problem and responsibility. This action indicated once and for all that the individual, the city and State could no longer be expected to solve the problems of income maintenance singlehandedly.

The 1962 amendments to the Social Security Act set forth the sound objectives of strengthening of family life, prevention of social and family breakdown and rehabilitation in those cases where breakdown had occurred. Such objectives are not only in keeping with the humane principles of a democratic society but represent enlightened economic philosophy.

The national economy will thrive as more children have access to educational and vocational opportunities to fit them for productive citizenship in the Nation. On the other hand, the economy is not only currently burdened by high cost of institutional support for these unfortunate children, but stores up for itself future economic burdens of care for those unequipped for self-care.

As social workers, we have firsthand knowledge of the consequences of poverty and deprivation and are shocked and dismayed that the unemployed and underprivileged in the District of Columbia are denied access to the very programs available to those in like circumstances in more farsighted areas.

We note that the excuse offered by the chairman of the District Subcommittee of

the Senate Appropriations Committee is that the District unemployment rate is too low to justify such a program here. Facts do not support this. Of the 15 States (as of October) with a program of aid to unemployed parents, 7 have rates equal to or less than that of the District of Columbia which has an estimated rate of 5 to 6 percent in its city area, as distinct from the metropolitan area. Even greater disparities would be evident if data were compiled on a census tract basis.

The children in the city precincts get just as hungry as those in the outlying precincts. Their parents are just as ambitious for them as the parents in the more privileged areas are for their children. If this program of Aid to Families of Dependent Children who are unlucky enough to have able bodied but unemployed parents is defeated, this defeat denies the validity not only of the basic national concern for family maintenance but also the national concern about serious problems stemming in large measure from poverty. Poor school-attendance, juvenile delinquency, and child health are among these problems for the treatment of which, important Federal programs have been inaugurated.

We urge that the entire membership of the Senate Appropriations Committee take a new look at the proposal to extend aid to unemployed parents which was outlined by the Director of the Department of Public Welfare in the recent hearings. We remind them that the children of these families will grow up to pay taxes, perhaps to give military service, and even, please God, to vote.

INABEL B. LINDSAY,

Dean, School of Social Work, Howard University.

WASHINGTON.

(This letter was also signed by 25 members of the faculty of the School of Social Work.)

THE SOCIAL CHRISTIANS OF VENEZUELA

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed at this point in the RECORD an article entitled "The Social Christians," written by Rowland Evans and Robert Novak, and published in the Washington Post of October 23, 1963. The article relates to the activity of the Christian Democratic Party in Venezuela.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE SOCIAL CHRISTIANS

(By Rowland Evans and Robert Novak)

CARACAS, VENEZUELA.—The future of Venezuela may depend not so much on the army and police flushing out Communist terrorists as on a little publicized crusade by liberal Catholics to wean the nation's youth away from communism.

Copel, Venezuela's Social Christian Party and junior partner in President Romulo Betancourt's coalition government, is challenging Communist domination of the country's students, and with considerable success. The Social Christians have won control of the state universities at Maracaibo and Valencia and are running a close second to Communists at Caracas Central University, the staging center for the anti-Nixon riots in 1958.

Nor is the clash between communism and liberal Catholicism limited to Venezuela. Throughout Latin America, Social Christians comprise the one anti-Communist force that talks the heady, idealistic language of youth.

The college student, who has exerted disproportionate influence in Latin politics for

a long time, is now the focal point of the hemisphere's subversive movements. Moscow and Havana have failed to subvert labor, peasants, or even slum dwellers. They rely on the student.

This reliance has become absolute in Venezuela, where one of every four college students is pro-Communist. Furthermore, these young men and women form the core of terrorist units and often spend their vacations fighting as guerrillas in the hills. These youthful bomb throwers include the very Venezuelans who ought to be the country's future leaders.

The son of one anti-Communist state governor is a Communist guerrilla in the Falcon Mountains. The daughter of one of President Betancourt's personal associates is a Communist terrorist in Caracas. The list goes on and on.

Special factors encourage the gravitation of Venezuelan youth toward communism. The 1952-58 dictatorship of Gen. Marcos Perez Jimenez concentrated on persecuting its democratic opposition—but let Communists run wild. As a result, they thoroughly infiltrated the faculties of universities and normal schools. The madcap provisional government that followed Perez Jimenez's fall compounded the damage by granting Central University an autonomy that makes it a sanctuary for subversives.

Even without this assistance, however, the Communists would be doing well enough with young Venezuelans. Latin America's middle-class young intellectuals are tormented by the poverty and social injustice they see everywhere. They want an easy answer. The Communists give it to them.

Certainly, these students derive little inspiration from Betancourt's Accion Democratica (AD) Party. AD's magnificent political machine probably will push a lackluster candidate to victory in the December 1 election to succeed Betancourt (who is barred by the constitution from another term). But AD would run poorly in a poll of students.

Founded a generation ago as a revolutionary Marxist party, AD has dropped most of its socialist trappings. When it expelled its pro-Communists in 1960, most of AD's youth went with them. It is today an unexciting, mildly liberal party of older men, who prefer ornate offices in Miraflores Palace to launching crusades.

Not so the Social Christians. True, they cannot match the Communists and offer students the thrill of swaggering off to battle with a submachinegun. But they do offer social revolutionary doctrine to transform Venezuelan society. The Cope Party, organized in 1946 as a conservative clerical party, is well left of center today. Its youth is particularly suspicious of private enterprise, specifically American business "Imperialism."

Naturally enough then not all anti-Communists here are overjoyed with the rise of the Social Christians. Parish priests imported from Spain and conservative members of the Catholic hierarchy are appalled. American businessmen (plus some staffers from the U.S. Embassy) would much prefer the emergence of a middle-class party supporting private enterprise, but that kind of party would be anathema to Venezuelan youth.

And no matter how much the radicalism of the Social Christians here may annoy Washington, they can be counted on to take a hard line against communism. That's no small assurance in Latin America today.

Mr. HUMPHREY. Mr. President, the article tells us a great deal about what is taking place in that part of the world. It is good reading for those of us who are vitally interested in the foreign aid bill.

S. 1561

IN THE HOUSE OF REPRESENTATIVES

OF THE STATE OF NEW YORK

AN ACT

to amend the Education Law, in relation to the State Board of Education

§ 3013. The State Board of Education shall have the honor and privilege of

appointing and removing its members, and its members shall hold office for

three years, and shall be eligible for reappointment or re-election.

§ 3014. The State Board of Education shall have the honor and privilege of

appointing and removing its members, and its members shall hold office for

88TH CONGRESS
1ST SESSION

S. 1561

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 1963

Referred to the Committee on Post Office and Civil Service

AN ACT

To amend the Federal Employees Health Benefits Act of 1959.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the Federal Employees Health Benefits Act of 1959
4 (5 U.S.C. 3001-3014) is hereby amended as follows:

5 (1) Section 2 (c) (3) is amended by striking the words
6 “as a result of injury sustained or illness contracted on or
7 after such date of enactment”.

8 (2) Section 2 (c) (4) is amended by striking the words
9 “on account of injury sustained or illness contracted on or
10 after such date of enactment”.

11 (3) Section 2 (d) is amended by inserting, after “step-
12 child”, “, foster child,”.

1 (4) Section 2 (e) is repealed.

2 (5) Section 3 (b) (1) is amended by inserting, after
3 “or”, the last word in the paragraph, the following: “(C)
4 the full period or periods of service beginning with the
5 enrollment which became effective not later than December
6 31, 1963, and ending with the date on which he becomes
7 an annuitant, or”.

8 (6) Section 3 is amended by adding the following sub-
9 section:

10 “(g) Any annuitant (including an individual receiving
11 monthly compensation as a result of injury sustained prior
12 to the effective date specified in section 16 and who would be
13 an annuitant if the injury or illness had been sustained or
14 contracted on or after that date) who at the time he became
15 an annuitant shall have been enrolled in a health benefits
16 plan under this Act and who at the time he became an an-
17 nuitant was ineligible to continue his enrollment may, upon
18 his application before July 1, 1964, and under such other
19 conditions of eligibility as the Commission may by regula-
20 tion prescribe, prospectively enroll in an approved health
21 benefits plan described in section 4 either as an individual
22 or for self and family.”

23 (7) Section 6 (d) is amended by the addition of a
24 sentence reading as follows:

1 “The Commission may terminate the contract of any
2 carrier effective at the end of a contract term if the Com-
3 mission finds that at no time during the preceding two con-
4 tract terms did the carrier have three hundred or more em-
5 ployees and annuitants (exclusive of family members)
6 enrolled for its plan.”

7 (8) Section 6 (f) is amended by placing a period after
8 the word “contract” in the last sentence and striking the
9 remainder of the sentence.

10 (9) Section 6 (g) is amended by striking “, at the
11 option of the employee or annuitant,”.

12 (10) Section 7 (a) (1) is amended by inserting the
13 word “and” at the end of clause (A) and by striking out the
14 following: “(other than as provided in clause (C) of this
15 paragraph), and (C) not less than \$1.75 or more than
16 \$2.50 biweekly for a female employee or annuitant enrolled
17 for self and family including a nondependent husband”.

18 (11) Section 7 (a) (2) is amended to read as follows:

19 “(2) For an employee or annuitant enrolled in a plan
20 described under section 4 (3) or (4) for which the biweekly
21 subscription charge is less than twice the Government con-
22 tribution established under paragraph (1) of this subsection.
23 the Government contribution shall be 50 per centum of the
24 subscription charge.”

1 (12) Section 8 (b) is amended by inserting after the
2 first sentence thereof, the following new sentences:

3 “The Commission, from time to time and in such
4 amounts as it considers appropriate, may transfer unused
5 funds for administrative expenses to the contingency reserves
6 of the plans then under contract with the Commission. When
7 funds are so transferred, each contingency reserve shall be
8 credited in proportion to the total amount of the subscrip-
9 tion charges paid and accrued to the plan for the contract
10 term immediately preceding the contract term in which the
11 transfer is made.”

12 (13) Section 8 is amended by adding the following sub-
13 section:

14 “(d) (1) Whenever the assets, liabilities and member-
15 ship of employee organizations sponsoring or underwriting
16 plans approved under section 4 (3) have been or are here-
17 after merged, the assets (including contingency reserves)
18 and liabilities of the plans sponsored or underwritten by the
19 merged organizations shall, at the beginning of the contract
20 term next following the date of the merger or enactment of
21 this subsection, be transferred to the plan sponsored or under-
22 written by the successor organization. Each employee or

1 annuitant hereafter affected by a merger shall also be trans-
2 ferred to the plan sponsored or underwritten by the successor
3 organization unless he enrolls in another plan under this Act.

4 “(2) Except as provided in paragraph (1) of this sub-
5 section, whenever a plan described under section 4(3) or
6 4(4) is or has been discontinued under this Act, the con-
7 tingency reserve of that plan shall be credited to the con-
8 tingency reserves of the plans continuing under this Act for
9 the contract term following that in which termination oc-
10 curs, each reserve to be credited in proportion to the amount
11 of the subscription charges paid and accrued to the plan for
12 the year of termination.”

13 (14) Section 10(c) is amended to read as follows:

14 “(c) Any employee enrolled in a plan under this
15 Act who is removed or suspended without pay and later re-
16 instated or restored to duty on the ground that such removal
17 or suspension was unjustified or unwarranted may, at his
18 option, enroll as a new employee or have his coverage re-
19 stored to the same extent and effect as though his removal
20 or suspension had not taken place with appropriate adjust-
21 ments made in contributions and claims.”

1 SEC. 2. Paragraphs 4, 10, and 11 of section 1 shall take
2 effect on the first day of the first period which begins at least
3 ninety days after the date of enactment of this Act.

 Passed the Senate November 15 (legislative day, October
22) , 1963.

Attest:

FELTON M. JOHNSTON,

Secretary.

88TH CONGRESS
1ST SESSION

S. 1561

AN ACT

To amend the Federal Employees Health
Benefits Act of 1959.

NOVEMBER 18, 1963

Referred to the Committee on Post Office and Civil
Service

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

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For actions of Jan. 29, 1964
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HIGHLIGHTS: House committee voted to report land-grant college water research center bill. Rep. Riehlman announced intention to introduce cigarette labeling bill. Sen. Humphrey commended food for peace program in Latin America. Sen. Magnuson inserted Sen. Humphrey's speech praising Administration policies and programs. Sen. Javits submitted and discussed measure to establish Commission on Revision of Agricultural Laws and Programs.

HOUSE

1. **RESEARCH.** The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment S. 2, to establish water resource research centers at the land-grant colleges and State universities and promote a more adequate national program of water research. p. D56
Both Houses received the annual report of the National Science Foundation (H. Doc. 209). pp. 1257, 1312
2. **TOBACCO.** Rep. Riehlman announced that he would introduce a bill to require cautionary labeling of cigarette containers to inform the younger people. pp. 1312-3
3. **RECLAMATION.** Received from the Interior Department a report on the Lower Teton Division, Teton Basin project, Idaho (H. Doc. 208). p. 1324
4. **PERSONNEL.** A subcommittee of the Post Office and Civil Service Committee voted to report to the full committee with amendment S. 1561, to amend the Federal Employees Health Benefits Act. p. D56

5. AGING. The Select Subcommittee on Education of the Education and Labor Committee voted to report to the full committee with amendment H. R. 7957, to provide assistance in the development of new or improved programs to help older persons and to establish in HEW an agency for the "Administration of Aging." p. D55
6. LEGISLATIVE PROGRAM. Rep. Albert announced that the House would meet on Sat., Feb. 1 and probably on Sat., Feb. 8, to consider the civil rights bill. p. 1311
7. ADJOURNED until Fri., Jan. 31. p. 1324

SENATE

8. SUPPLEMENTAL APPROPRIATIONS. Concurred in the House amendment to H. J. Res. 875, the supplemental appropriations bill for fiscal year 1964, providing funds for the mental retardation program, federally impacted school districts, the National Defense Education Act, and the Mexican farm labor program. This bill will now be sent to the President. pp. 1276-7
9. ADMINISTRATION PROGRAMS. Sen. Magnuson inserted a speech of Sen. Humphrey commending the Administration's policies and programs, including area re-development, the food stamp program, food for peace, the school lunch program, and farm credit activities. pp. 1283-5
10. FOOD FOR PEACE. Sen. Humphrey inserted his speech before the conference of the Catholic inter-American cooperation program, in which he praised the food-for-peace program in Latin America. pp. 1267-7
11. LEGISLATIVE PROCESS. Continued debate on S. Res. 111, to permit Senate committees to meet while the Senate is in session until the end of the morning hour. pp. 1257-8, 1276, 1278, 1281-3.
12. FCIC. Received from this Department the annual report of the Federal Crop Insurance Corporation. pp. 1262-3
13. REPORTS. Received the annual reports of Commerce and General Services Administration. p. 1263
14. TAXATION. Sen. Douglas reviewed provisions of the proposed tax reduction bill, point out what he considered to be good and bad features of the bill, and discussed several features of the bill with Sen. Long. pp. 1287-1301
15. ELECTRIFICATION. Sen. Magnuson commended the signing by Canada and the U.S. of the revised Columbia River hydroelectric and flood-control treaty and inserted an editorial urging prompt implementation of the treaty. p. 1286

ITEMS IN APPENDIX

16. WHEAT. Extension of remarks of Rep. Purcell inserting and commending a Kan. Legislature resolution urging the Congress and the Secretary of Agriculture "to provide a voluntary type wheat program for the wheat producers of the Nation," and recommending that any legislation passed "should provide for the maintenance and improvement of income and also allow some of our wheat production to be competitive in the markets of the world." pp. A374-5

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HIGHLIGHTS: House committee voted to report tobacco research bill. Reps. Hoeven, Quie, and Nelsen criticized USDA's new adjusted parity ratio. Rep. Stinson charged that Russia is using wheat to make industrial alcohol. Sens. Symington and Pearson urged action to restrict beef imports. Sen. Gruening supported creation of Department of Housing and Community Development. Sen. Morton defended proposed quality stabilization bill.

HOUSE

1. TOBACCO RESEARCH. The Agriculture Committee voted to report (but did not actually report) with amendment H. J. Res. 915, to direct the Secretary of Agriculture to conduct research into the quality and health factors of tobacco and other ingredients used in the manufacture of cigarettes. pp. D82-3
2. PARITY RATIO. Reps. Hoeven, Quie, and Nelsen criticized USDA's new adjusted parity ratio, which they stated now will contain Government payments to farmers, as giving a "distorted and inaccurate picture of the parity ratio. Rep. Hoeven urged congressional action, if necessary, to prevent use of the new formula. pp. 2220-3
3. WHEAT. Rep. Stinson charged that Russia needs wheat to distill into industrial alcohol rather than to feed its people. pp. 2223-4

4. FORESTRY. Received from this department a proposed bill to remove the requirement in present law that property hired or rented from employees must be for the use of someone other than the one from whom the property is hired or rented; to Agriculture Committee. p. 2233
5. CIVIL RIGHTS. Continued debate on H. R. 7152, the civil rights bill. pp. 2166-2217
6. EDUCATION; TAXATION. Rep. Bray urged the Federal Government to turn back to the States the cigarette taxes for education purposes. pp. 2225-7
7. CIVIL DEFENSE. Received from the Defense Department the report on property acquisitions of emergency supplies and equipment for the Civil Defense Office for the period ending Dec. 31, 1963. p. 2232
8. PERSONNEL; PROCUREMENT. Received from the Census and Government Statistics Subcommittee of the Post Office and Civil Service Committee a report, "Statistical Activities of the Federal Government; Personnel, Equipment, and Contract Costs" (H. Rept. 1130). p. 2233
9. PEACE CORPS. The Foreign Affairs Committee voted to report (but did not actually report) H. R. 9666, to amend further the Peace Corps Act. p. D83
10. PERSONNEL; HEALTH. The Post Office and Civil Service Committee voted to report (but did not actually report) with amendment S. 1561, to amend the Federal Employees Health Benefits Act" by eliminating the discrimination against married women's contribution toward their insurance premium." p. D83

SENATE

11. TAXATION. Continued debate on H. R. 8363, the tax bill. pp. 2043-4, 2048-79, 2080-2115, 2118-48
12. BEEF IMPORTS. Sen. Symington urged action to restrict beef imports, inserted his statement that "Congress has been assured in recent days that strongest efforts are being made by Agriculture Secretary Freeman, with full White House support, to reach agreement with Australia and New Zealand on curtailment of the rise in U. S. beef imports," and inserted Assistant Secretary Renne's statement reviewing the beef import situation. pp. 2115-7
Sen. Pearson urged action to restrict beef imports, inserted various statistics on domestic production and imports of beef and veal, and stated that if talks with Australia and New Zealand for voluntary restrictions on such imports are not successful he would urge adoption of temporary import quotas. pp. 2153-8
13. PRICES. Sen. Morton defended the proposed quality stabilization bill on retail prices and criticized "a purported 'fact sheet' on quality stabilization currently being circulated among economics professors around the country" which "proposes a massive academic congressional letterwriting assault against quality stabilization." pp. 2047-8
14. HOUSING. Sen. Gruening commended and urged early enactment of the President's proposal for creation of a Department of Housing and Community Development. pp. 2152-3
Sens. Douglas and Gruening were added as cosponsors of S. 2475, to establish a Department of Housing and Community Development. p. 2043

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HIGHLIGHTS: House passed pesticide labeling bill. Rep. Becker urged longshoremen to continue refusal to load wheat for shipment to Russia. Rep. Morris urged passage of legislation to limit beef imports. Rep. Patman complimented President's proposed poverty program. Sen. McGovern deplored drop in egg prices. Sen. Bartlett inserted Rep. Aspinall's speech endorsing land and water conservation fund bill. Sen. Proxmire charged Commerce has broken pledge for shipment of Soviet wheat on U. S. vessels. Sen. Dirksen introduced cotton bill.

HOUSE

1. HEALTH; RESEARCH. Both Houses received the President's message summarizing activities under the health research facilities program (H. Doc. 230). pp. 2773, 2834-5
2. WHEAT. Rep. Becker congratulated the longshoremen for their refusal to load American wheat for shipment to Russia and urged the continuation of their policy. p. 2835
3. PESTICIDES. Passed with amendment S. 1605, to provide for labeling of economic poisons with registration numbers to eliminate registration under protest, after substituting the provisions of a similar bill, H. R. 9739, which was then tabled. pp. 2839-42

4. FOREIGN TRADE. Rep. Lipscomb charged that the Commerce Department was instituting a move to withhold information from the public on trade with the Communists by discontinuing the publication of its daily list of export licenses issued. He also stated that the Department was trying to save this money while, at the same time, being heavily involved in arranging special shipping subsidies to grain companies in order to help them sell wheat to Russia. p. 2850
5. BEEF IMPORTS. Rep. Morris charged that the recently concluded voluntary agreement between the U. S. and Australia and New Zealand, to limit beef exports to the U.S., did not go far enough. He stated that the best solution to this problem would be passage of legislation. p. 2859
6. POVERTY. Rep. Patman complimented the President for his proposed poverty program and urged direct help to the poverty-stricken and bi-partisan support against poverty. pp. 2879-80
7. RECREATION. At the request of Rep. Aspinall, by unanimous consent, struck from the Consent Calendar S. J. Res. 17, to designate the lake to be formed by the waters from the Flaming Gorge Dam, Utah, and the recreation area contiguous to the lake, as "OMahoney Lake and Recreation Area." p. 2836
8. SCIENTIFIC RESERVE. On objections of Reps. Van Pelt, Kelly and Siler, struck from the Consent Calendar, H. R. 1096, to authorize Interior to cooperate with Wisc. in the designation of the Ice Age National Scientific Reserve. Rep. Van Pelt inserted his press statement charging that the hearings on this bill were inadequate. p. 2836
9. FORESTRY; LOANS. Passed without amendment H. R. 8230, to liberalize the granting of loans on forest tracts by providing for long-term credit by commercial banks. pp. 2837-8
10. TRANSPORTATION. Passed without amendment S. 2317, to amend Sec. 15 of the Shipping Act, 1916, to provide for the exemption of certain terminal leases from penalties. This bill will now be sent to the President. p. 2842
Rep. Secrest charged that a provision of H. R. 9903, to strengthen and improve the national transportation system, would end the restriction against railroads transporting their own produced commodities in interstate commerce. pp. 2849-50
11. RESEARCH. Received the progress report of the Select Committee on Government Research (H. Rept. 1143)(p. 2882). Rep. Elliott inserted the 10 major studies this Committee will undertake. pp. 2854-5
12. DEMOCRATIC PARTY. Rep. Whitener inserted Rep. Dorn's remarks discussing the Democratic Party's stand on farm programs, textiles, poverty, economy in Government, taxation, and foreign policy. pp. 2856-8
13. PERSONNEL; HEALTH. The Post Office and Civil Service Committee reported with amendment S. 1561, to amend the Federal Employees' Health Benefits Act "by eliminating the discrimination against married women's contributions toward their insurance premium" (H. Rept. 1142). p. 2882

SENATE

14. FOOD-FOR-PEACE. Sen. Bartlett inserted a speech by Richard Reuter, special assistant to the President and Director of the food-for-peace program, reviewing and commending accomplishments of the program. pp. 2818-20

AMENDMENTS TO THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

FEBRUARY 17, 1964.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. POOL, from the Committee on Post Office and Civil Service, submitted the following

R E P O R T

[To accompany S. 1561]

The Committee on Post Office and Civil Service, to whom was referred the bill (S. 1561) to amend the Federal Employees Health Benefits Act of 1959, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

AMENDMENTS

The committee proposes two amendments to S. 1561 as it passed the Senate—an amendment to the text and an amendment to the title.

AMENDMENT TO THE TEXT

The amendment to the text of the bill strikes out all after the enacting clause and inserts in lieu thereof a substitute text which is contained in the reported bill in italic type. This amendment to the text of S. 1561 makes certain technical and perfecting changes in language, while incorporating all of the amendments to the Federal Employees Health Benefits Act of 1959 upon which the U.S. Civil Service Commission and the Senate are in unanimous agreement, and a further amendment to the act adopted by the committee which is also agreed to by the Commission. An explanation of the amendment to the text is contained in the explanation of the bill by sections.

AMENDMENT TO THE TITLE

The amendment proposed by the committee to the title of the bill is as follows:

Amend the title so as to read:

An Act to amend the Federal Employees Health Benefits Act of 1959 to remove certain inequities in the application of such Act, to improve the administration thereof, and for other purposes.

The purpose of this amendment to the title is to provide a title which will reflect more accurately the text of S. 1561, as reported.

PURPOSE

S. 1561, which passed the Senate on November 15, 1963, by unanimous action and which has been unanimously reported from the committee, proposes a number of amendments to the Federal Employees Health Benefits Act of 1959 (Public Law 86-382; 5 U.S.C. 3001-3014). The purposes of these amendments are (1) to solve problems that have arisen from the application of the act to particular circumstances and which were unforeseen prior to enactment; (2) to correct certain inequities; and (3) to simplify and improve generally the administration of the act.

STATEMENT

The Federal employees health benefits program, which began operations on July 1, 1960, provides over 2 million Federal employees and their 4 million family members with health insurance protection that ranks among the most complete obtainable. By far the largest health benefits program in the world, it operates every day to protect Federal employees from the financial impact of both routine medical expenses and major medical and hospital costs.

The program has confounded the skeptics who had prophesied that a health benefits system of this magnitude could not be satisfactorily established within the confines of a legislative action. It was anticipated by many that serious administrative problems would develop that would require continual perfecting and remedial legislation. It is a real tribute to the Congress and to the people who worked with it and its committees in drafting the original legislation that this has not been the case.

However, the experience of the Civil Service Commission to date in administering the act has revealed a few minor problem areas which the Commission now feels require attention. In an official recommendation submitted to the Congress on May 8, 1963, the Commission proposed legislation to solve these problems and S. 1561 is the result of that recommendation.

During the course of the hearings which both this committee and the Senate Post Office and Civil Service Committee held on the legislation it became apparent that several other provisions of the Federal Employees Health Benefits Act of 1959, not included in the Commission's proposal, also require some perfecting action. The Senate committee added four additional amendments to the act that were not included in the Civil Service Commission's proposal, and this com-

mittee, while approving the Senate action, also added one further amendment which it feels will materially improve the program.

In summary, S. 1561 contains all of the amendments to the Federal Employees Health Benefits Act of 1959 that were recommended by the Civil Service Commission, plus four additional amendments that were adopted by the Senate and one further amendment adopted by this committee. The Civil Service Commission has offered no objection to any of these additional amendments.

EXPLANATION OF THE BILL BY SECTIONS

The first section of the bill, consisting of 14 paragraphs, makes all substantive and technical changes in the Federal Employees Health Benefits Act of 1959 which are recommended by the Civil Service Commission as well as those additional changes approved by the Senate and by this committee.

Paragraphs (1) and (2) of such first section permit enrolled employees to continue their health insurance coverage when placed on employees' compensation even though the injury giving rise to compensation payments occurred prior to enactment of the Health Benefits Act in 1959. Paragraphs (1) and (2) simply eliminate the present date criterion, the phrase "on or after such date of enactment," in the definition of annuitant.

At present the enrolled employee who goes on compensation based on an injury suffered before the 1959 enactment date loses his health benefits coverage and is not again eligible for coverage until and unless he returns to active employment. The compensable disability may remit and recur again and again. Each time the old injury forces the employee back on the compensation rolls, he loses coverage. This amendment will permit such an employee to retain his coverage while on compensation in the same manner as the employee entitled to compensation due to an injury sustained after 1959. The amendment corrects a situation which is extremely unfair to the individual involved and to his family and which further complicates the overall administration of the health benefits program.

Paragraph (3)(A) adds foster children who are living with the employee or annuitant in a regular parent-child relationship to the list of family members who can be covered by the enrollment of an employee or annuitant.

Under present law, adopted and natural children, but not foster children, may be covered under an employee's family enrollment. This places an extra burden on employees with foster children. Some examples related to the committee are employees who are rearing grandchildren, a niece, and a minor brother whose parents are dead. The amendment would also cover a child who is in the legal custody of an employee. Foster children are customarily included in family memberships by other large employers and insurers, and the amendment simply brings the Federal program into line with this practice. The Civil Service Commission reports that the latent additional cost of covering foster children is negligible.

Paragraph (3)(B) is the further amendment to the Health Benefits Act adopted by the committee which makes a most desirable improvement in the program. It continues health benefits coverage under an employee's family enrollment for unmarried children up to the age of 21 years. The age limit presently in the law is 19 years. The

committee amendment strikes 19 years where it appears in section 2(d) of the act and substitutes in lieu thereof 21 years.

This change will bring the health benefits program into line with a similar liberalization that Congress enacted into the retirement program in the last Congress to continue survivor benefits for children over the age of 18 and under 20, provided they are pursuing full-time studies. The committee did not include a requirement that the children be pursuing full-time studies because such a requirement in the Health Benefits Act was vigorously opposed by the Civil Service Commission on the basis that "it would be so difficult of administration under the health benefits program as to be impracticable if not actually unworkable."

The Commission does not oppose raising the age limit to 21 for all unmarried children regardless of whether or not they are in school. In fact, it did recommend the 21-year age limit in April 1959 to the Senate Post Office and Civil Service Committee during original consideration of the health benefits legislation. The Commission states that the cost of extending health benefits coverage to children up to the age of 21 would be minimal.

Paragraph (4), in conjunction with paragraphs (10) and (11), would eliminate from present law a provision that tends to discriminate against married female employees who are required to pay appreciably more for their health benefits protection than are married male employees. This amendment was adopted by the Senate.

Under present law the Government, in effect, does not contribute to the health benefits coverage of a nondependent husband of a married woman employee. Family plan coverage is available to the family of married women Government employees with the standard Government contribution only if the husband is in a dependent status. For example, the Government contribution for a female employee or annuitant enrolled for self and family, including a nondependent husband, is now not less than \$1.75 nor more than \$2.50 biweekly. This compares with not less than \$3 nor more than \$4.25 biweekly in the case of a male employee enrolled for self and family. This amendment would place the female employee with family, including nondependent husband, on the same Government-contribution basis as regular family enrollments.

The Civil Service Commission reports that, in the interest of equity, it does not object to equalizing the Government contribution for women with nondependent husbands. It estimates that about 100,000 such women would qualify for an increase in contribution of \$1.30 biweekly, based on present contribution rates. On this basis, the annual cost of this amendment to the Government would be between \$3.25 million and \$3.5 million.

Paragraph (5) provides that an employee who enrolled in a health plan up through December 31, 1964, who otherwise might be ineligible to do so because he did not enroll at the first opportunity, may continue his coverage as an annuitant.

Under present law, in order to continue coverage after retirement, the employee must have been enrolled for not less than 5 years immediately prior to retirement or must have enrolled at his first opportunity. Despite every effort to inform them, many employees did not grasp the importance of enrolling at the first opportunity, and those of this group coming up for retirement in the next few years will find themselves ineligible for continued coverage as retirees be-

cause of failure to enroll at the first opportunity. The proposed amendment will enable such employees to enroll up through December 31, 1964, in order to keep their health plans after retirement.

Paragraph (6), which is another amendment adopted by the Senate, has the effect of making retroactive the amendment to the Health Benefits Act proposed by paragraph (5) above. The paragraph (6) amendment, in which the Civil Service Commission concurs, anticipates the development of an inequity and corrects it in advance. It is intended to cover enrolled employees who retired since July 1960, and who are without health insurance coverage because they had failed to enroll at their first opportunities. It will permit these very few retired employees involved to regain their health benefits protection by allowing them to enroll up through December 31, 1964.

This liberalization is extended only to those retired employees who were actually enrolled in a health plan under the act and who met every other requirement at the time of retirement except that they had not enrolled at their first opportunity. It does not provide that coverage has been in effect retroactively, nor does it apply to retirees who retired without ever having been enrolled in a plan.

Paragraph (7) permits the Civil Service Commission to terminate the contract of any carrier at the end of a contract term if the Commission should find that in the preceding two contract terms the carrier did not have 300 or more employees and annuitants enrolled in its plan.

This authority would be discretionary which the Commission reports it would use sparingly and with good judgment. The Commission states that the cost of contract negotiation and settlement, preparation of brochures, and other processes and operations necessary for such plans are disproportionate to any advantage in keeping them in the program as carriers. There are currently 5 plans, all of the group-practice type with a combined enrollment of 538, whose contracts could be terminated under this proposed authority.

Paragraph (8) eliminates the present requirement of law that the Civil Service Commission review and approve the terms and conditions of nongroup contracts offered by carriers to former employees or annuitants who elect to convert.

These terms and conditions are generally subject to regulation by State law. The Commission reports that it is highly impracticable for it to review all conversion contracts that can be offered under State law. In many cases terms are specified, at least in part, by State laws and regulations, and cannot be altered by the Commission. Consequently, review by the Commission does little or nothing to improve the conversion contracts and tends to limit the number of conversion contracts available to departing Federal employees to those which have been filed with the Commission and processed by the Commission's staff. The Commission states it will continue to provide in its contracts that carriers must offer conversion contracts which meet certain requirements of law and regulations, such as noncancelability and elimination of waiting periods.

Paragraph (9) eliminates the present requirement that the employee or annuitant who elects to convert to a nongroup contract be offered the choice of a cancelable or a noncancelable conversion policy.

This amendment proposes that only noncancelable contracts will be required to be offered. The present law requirement that a choice be offered between a cancelable and noncancelable contract has proved meaningless. No cancelable contracts have been requested, evidently

because of the uncertain protection they afford. It would be in the best interest of Federal employees to require only that noncancelable policies be offered for conversion purposes. The amendment would not prohibit a carrier from offering the additional option of a cancelable policy if it is so desired.

Paragraph (10) is discussed under the heading "Paragraph (4)." Paragraph (10) strikes out of present law the separate Government contribution rates and enrollment classification for a "female employee or annuitant enrolled for self and family, including a nondependent husband."

Paragraph (11) corrects a technical defect in the present law in order to maintain the intent that the Government contribution shall not exceed 50 percent of the lowest priced, Government-wide option.

The present law is so worded as to require a Government contribution of more than 50 percent where the employee enrolls in a plan costing more than the legal minimum but less than the lowest priced, Government-wide option. Section 7(a)(1) of the Health Benefits Act sets the legal minimum at \$1.25. The cost of the lowest priced, Government-wide option is presently \$2.60 so that the Government contribution is \$1.30. Section 7(a)(2) of the act provides that if a plan costs less than \$2.50 biweekly, the Government contribution will be 50 percent of the actual charge.

There are no instances now in which the Government contribution actually exceeds 50 percent, but the situation could arise in the event the cost of the Government-wide option, which is used as the basis for fixing the Government contribution, were to increase, for example, to \$3 biweekly, so that the Government contribution would then be \$1.50 across the board. In such a circumstance section 7(a)(2) would take care of a plan that costs less than \$2.50; but in the case of a plan costing \$2.60 biweekly the Government contribution would be \$1.50, or 57.7 percent, rather than 50 percent, or \$1.30.

The amendment limits the Government contribution to 50 percent at most in cases of this sort for all enrollments, including a female employee with nondependent husband.

Paragraph (12) incorporates into S. 1561 the provisions of H.R. 7400 which was introduced as a result of an official recommendation of the Civil Service Commission and which passed the House of Representatives on the Consent Calendar on October 7, 1963. The paragraph was added by the Senate.

This amendment will give the Civil Service Commission authority to transfer unneeded funds from the administrative expense reserve fund under the Health Benefits Act to the contingency reserves of the various health plans in proportion to the subscription charges of the plans. The present 1 percent set aside for the administrative expense reserve has accumulated a sum more than adequate to pay administrative expenses. Paragraph (12) will enable the Commission to reduce the administrative reserve fund and to avoid accumulation of unneeded funds in this reserve by diverting the excess to the contingency reserves of participating plans where it can be utilized to benefit subscribers.

Paragraph (13) adds a new subsection (d) to section 8 of the Health Benefits Act in order to cover situations not presently dealt with in the law with regard to the contingency reserves of discontinued plans and plans sponsored by employee organizations that merge.

Paragraph (1) of such new subsection (d) provides for the transfer to a successor organization of all the assets (including contingency reserves) and liabilities of health plans sponsored by employee organizations that merge. Each employee or annuitant affected by a merger will also be transferred to the plan sponsored by the successor organization unless he chooses to enroll in another plan.

This amendment was included by the Senate in S. 1561 in order to correct the problem created when two or more employee organizations merge, each of which sponsors a health benefits plan. The specific case involved is the merger in May 1961 between the National Federation of Post Office Clerks and the United National Association of Post Office Craftsmen to form the present United Federation of Postal Clerks. Both of the merged organizations operated large and successful health benefits plans. In this particular case, an actual merger of the plans was not effected. Instead, it was decided to permit the smaller of the two plans, that sponsored by the United National Association of Post Office Craftsmen, to expire, with the membership transferring to the plan sponsored by the successor organization. However, when a final accounting of the smaller plan was made, it was found that it had built up a sizable contingency reserve for which there is no present provision for disposition. These reserve funds presently exist in a limbo from which they might not be removed. This amendment permits the funds to be transferred to the health plan of the United Federation of Postal Clerks so that they can be of benefit to those employees to whom they rightfully belong.

The Civil Service Commission has given its full endorsement to this amendment as a solution to the existing problem and a method for handling future such occurrences.

Paragraph (2) of such new subsection (d) authorizes the Civil Service Commission to credit the contingency reserve of any discontinued plan to those plans remaining in the health benefits program for the contract term following that in which the termination occurred. Each of the remaining plans will be credited in proportion to the premiums paid and accrued for the year of discontinuance.

Present law also makes no provision for the disposition of the contingency reserves of health benefits plans that may discontinue business. The Civil Service Commission has recommended this amendment as an equitable method of disposing of these funds. Each plan will be credited in proportion to the amount of its premiums for the year of discontinuance which, roughly, reflects the number of persons covered by the plan.

Paragraph (14) permits a reinstated or restored employee to elect to enroll as a new employee or remain in the same plan and receive indemnification for medical expenses incurred during a period of removal or suspension.

The employee now has no such choice and his coverage must be made retroactive with an attendant adjustment of premiums and claims, if any, back to date of removal or suspension. The amendment would permit a restored employee to elect whether to have retroactive coverage or to enroll as a new employee. It is assumed that restored employees will not need or want retroactive coverage where their medical expenses during the period of removal or suspension are minor.

This amendment is designed to afford equitable treatment to the relatively few employees involved. Reinstatement of an employee may occur months after his suspension or removal. During the interim he may have acquired and paid for other health insurance. Such an employee should not have his Federal employee coverage reinstated retroactively, as the law presently requires, and be made to pay twice for his health insurance while he was suspended or removed. Additionally, the employee may be enrolled in a group-practice plan which provides direct medical services (not indemnities) which he could not obtain during the erroneous suspension or removal.

Section 2 of S. 1561 provides that paragraphs (4), (10), and (11) of the first section of the bill shall become effective on the first day of the first pay period which begins at least 90 days after the date of enactment. The Civil Service Commission needs this leadtime in order to make effective the above paragraphs that will place married women employees with nondependent husbands on the same Government contribution and enrollment basis as male employees with families.

HEARINGS

The committee held an extensive hearing on this legislation on August 2, 1963, at which 18 witnesses representing the administration, employee organizations, insurance underwriters, and health associations testified.

COST

With the exception of the estimated cost of approximately \$3.25 million per annum to equalize Government contributions to the health benefits men and women employees, enactment of this measure will not result in any additional net cost. In fact, the Civil Service Commission estimates that minor savings in administrative expenses will result.

AGENCY RECOMMENDATIONS

The executive communication from the U.S. Civil Service Commission recommending enactment of this legislation and additional communications on related provisions of the measure follow:

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 8, 1963.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: The Civil Service Commission is submitting with this letter, for the consideration of the Congress, proposed amendments to the Federal Employees Health Benefits Act. The proposed amendments would remove certain inequities in the application of the act and simplify its administration. Enclosed are a draft bill, sectional analysis, and a statement of purpose and justification which, respectively, set forth, analyze, and give reasons for the proposed amendments. These state the nature of the proposals specifically and in detail.

The Bureau of the Budget advises that there would be no objection from the standpoint of the administration's program to submission of the draft bill.

A similar letter is being sent the President of the Senate.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

STATEMENT OF PURPOSE AND JUSTIFICATION

Our experience to date under the Federal Employees Health Benefits Act has revealed a number of problems which arise from the application of the act to particular circumstances, some of which were unforeseen prior to enactment of the law. The purpose of the proposed legislation is to solve some of these problems, remove certain inequities in the application of the act, and simplify its administration. No added Government costs will result from the proposed changes. They will instead produce minor savings, the amount of which cannot be estimated.

The proposals have been stated in the sectional analysis and the reasons for the amendments follow.

(1 and 2) are intended to eliminate termination of eligibility for health benefits coverage where an enrolled employee becomes entitled to employees' compensation based on an injury suffered before enactment of the act. The compensable disability may remit and recur again and again. Each time the individual returns to the active rolls as an employee he is eligible to enroll as an employee and each time he goes on the compensation rolls he loses eligibility. This is unfair to the individual and complicates administration. The proposed amendment, by changing the definition of annuitant, would permit the employee enrolled under the Federal Employees Health Benefits Act to take his coverage with him, as an annuitant, when he returns to the compensation rolls.

(3) Customarily health benefits insurers have included foster children in family memberships. They were not so included under the Federal program and the result was an increased cost of health benefits to some employees. Among cases which have come to our attention are those of three employees who are, respectively, rearing grandchildren, a niece, and a minor brother, whose parents are dead. In each of these cases the employee is precluded by State law from adopting children so closely related. In other cases employees are rearing children under preadoption agreements. The latent additional cost of covering foster children is negligible.

(4) Under present law an employee in order to continue coverage after retirement must have been enrolled for not less than the 5 years immediately preceding his retirement or must have enrolled during the first enrollment period. The Commission and other involved agencies made every effort to inform all employees concerning the health program. However, some employees, because of the newness of the program and a failure to comprehend the importance of initial enrollment, did not avail themselves of the first opportunity to enroll. The present amendment will enable those who enroll up through December 31, 1963, to keep their health plans after retirement.

(5) This provision would permit the Commission to terminate the contract of any carrier at the end of a contract period if during the preceding two contracts periods the carrier did not have 300 or more employees and annuitants enrolled in its plan. There are currently

(December 1962) five plans, with a combined enrollment of 538, whose contracts could be terminated under this proposed authority. The amendment here proposed would impose little, if any, additional workload upon the Commission. The costs of contract negotiation and settlement, preparation of brochures, and other administrative processes and operations necessary for such plans are disproportionate to any advantage resulting from their inclusion as carriers.

(6) The present act requires a former employee or annuitant who elects to convert to a nongroup contract to pay the full periodic charges on such terms and conditions as are prescribed by the carrier and approved by the Commission. These terms and conditions are generally subject to regulation by State law. The Commission cannot well review all conversion contracts that can be offered under State law. In many cases terms are specified, at least in part, by State laws and regulations, and cannot be altered by the Commission. Consequently review by the Commission does little to improve the conversion contracts and tends to limit the number of conversion contracts available to departing Federal employees to those which have been filed with the Commission and processed by the Commission's staff. The Commission will continue to provide in its contracts that carriers must offer conversion contracts which meet certain requirements of law and regulations, such as noncancelability and elimination of waiting periods.

(7) Present law requires that the employee or annuitant be offered the choice of a cancelable or noncancelable conversion policy. There have been no requests for cancelable conversion policies. Moreover, the protection offered by such a policy is somewhat illusory as it can be revoked at any time. Under the circumstances it would seem to be in the best interest of Federal employees to require only that a noncancelable policy be offered for conversion purposes. This would not prohibit a carrier offering the additional option of a cancelable policy if it so desired.

(8) The literal wording of section 7(a)(2) of the present law would require a Government contribution amounting to more than 50 percent when the lowest priced, Government-wide option costs more than the minimum prescribed by law and the employee enrolls in a plan costing more than the legal minimum but less than the lowest priced, Government-wide option. This does not appear to have been the intent of Congress. This amendment limits the Government contribution to 50 percent at most in cases of this sort.

(9) Two of the original plans have already discontinued participation in the Federal employees health benefits program. The present act makes no provision for the disposition of the contingency reserves of discontinued plans. The proposal herein made is, we feel, an equitable method of disposing of these funds. Each plan will be credited in proportion to the amount of its premiums for the year of discontinuance—which, roughly, reflects the number of persons covered by the plan.

(10) The present law provides that an employee who is removed or suspended and then restored to duty shall not be deprived of coverage and benefits for the interim period. To this end it requires appropriate adjustments in contributions, and claims. The proposed amendment would permit a restored employee to elect whether to have retroactive coverage, or to enroll as a new employee. Restored employees will

not need or want, retroactive coverage where their medical expenses during the period of removal or suspension are minor.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., August 19, 1963.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: This refers further to your request of March 14, 1963, for a report on H.R. 4525, a bill to amend the Federal Employees Health Benefits Act of 1959, with respect to the contribution made by Government toward health benefit protection for employees and annuitants and members of their families.

The bill, if enacted, would (1) change the method for determining the amount of the Government's contributions; (2) give women with non-dependent husbands the same contribution as other employees with family enrollments; and (3) increase the amount of the Government's contribution.

The Commission endorses the proposal to change the method for determining the amount of the Government's contribution which now, in general, equals but cannot exceed 50 percent of the cost of the least expensive option offered by the Government-wide plans. The least expensive Government-wide option costs \$2.60 biweekly for a self-only enrollment and \$6.24 biweekly for a family enrollment. Except for a relatively few employees who are in plans offering options priced at less than these amounts, the Government contributes biweekly \$1.30 for a self-only enrollment, \$3.12 for a regular family enrollment, and \$1.82 for a family enrollment of a woman with a nondependent husband.

This method of determining the amount of the Government's contribution should be changed because it is unsatisfactory. Probably its major fault is that it creates the following anomalous situation:

The less expensive (i.e., low) options have attracted the good insurance risks. Most of the low options, including the one which determines the Government's contribution, have had such good morbidity and claims experience as to warrant an increase in benefits or a reduction in premium rates. However, if we increased benefits it would blur the distinction between low- and high-option benefits; if we reduced the rates, including the rate for the least expensive Government-wide option, the Government's contribution would also be reduced to an amount less than the minimum specified in the act and the large majority of employees who are in the high options would have to pay more out of pocket for this coverage since high-option rates could not also be reduced.

H.R. 4525 proposes a method under which the Government would contribute specified biweekly amounts for self-only and family enrollments, but not exceeding in any case 50 percent of the total biweekly subscription charge. This would leave the initiative for a change in the Government contribution with the Congress and allow flexibility in setting the amount thereof. Also, it would permit the Commission to consider proposals for changes in benefits and rates on their merits instead of in the light of their impact on the amount of the Government's contribution.

12 AMENDMENTS TO FEDERAL EMPLOYEES HEALTH BENEFITS ACT

In the interest of equity, the Commission does not object to the proposal which would equalize the Government contribution for women with nondependent husbands. We estimate that about 100,000 such women would qualify for an increase in contribution of \$1.30 biweekly, based on present contribution rates, and that therefore the annual cost to the Government would be between \$3.25 million and \$3.5 million.

The Commission opposes the proposal to increase the Government's contribution at this time because it is not in accord with the administration's fiscal policy.

Including the 1 percent administrative expenses and the 3 percent contingency reserves add-on provided for by section 8(b) of the Federal Employees Health Benefits Act of 1959, and on the basis of enrollments in force at the close of 1962, the proposal in H.R. 4525 would increase the Government's biweekly contribution as follows:

Type of enrollment	Present contribution	Proposed contribution	Amount of increase	Percentage increase
Self only.....	\$1.30	\$2.08	\$0.78	60
Regular family.....	3.12	5.20	2.08	67
Family with nondependent husband.....	1.82	5.20	3.38	186

Type of enrollment	Approximate number enrolled	Amount of biweekly increase	Total of biweekly increase	Annual cost
Self only.....	500,000	\$0.78	\$390,000	\$10,140,000
Regular family.....	1,500,000	2.08	3,120,000	81,120,000
Family with nondependent husband.....	100,000	3.38	338,000	8,788,000
Total.....			3,848,000	100,048,000

H.R. 4525 could accordingly add up to \$100 million to the Government's annual payroll cost.

During the 3 years the Federal employees health benefits program has been in existence, a small minority of employees have had to pay relatively modest increases in premiums—none on an order of magnitude approaching the percentages of increases in the Government's contribution proposed in H.R. 4525. The Commission, therefore, believes that it would be appropriate to postpone any consideration of an increase in the Government contribution to health benefits to a time in the future when at least a majority of employees have experienced a premium increase and that at that time the increase in the Government's contribution should bear some proportion to the premium increase. We therefore, urge that the \$2 and \$5 figures in section 1 of the bill be amended to specify \$1.25 and \$3, respectively, so as to leave the Government's contribution at the present amounts.

Accordingly, if amended as suggested, the Commission favors the enactment of H.R. 4525.

In connection with identical bill, S. 761, the Bureau of the Budget advised that there would be no objection to the submission of this report to the committee.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, JR., *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., August 22, 1963.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN. This is in response to a request made by your committee staff for our estimate of first-year cost of the increased Government contributions proposed in H.R. 4525.

This estimate is grounded on the cost of Government contributions on the H.R. 4525 basis to the two Government-wide plans which, together, cover approximately 76 percent of all employees enrolled in the program. It assumes no change during the open season in October 1963 in size or distribution of enrollment as between the two Government-wide plans, as between the high and low options of each of these plans, and as among the three types of enrollment (self only, self and family, and self and family—wife with nondependent husband).

Using the premium rates for the fourth contract period (November 1963–October 1964) the additional cost of Government contributions for that contract year for these two plans would be approximately \$40.40 million. Projecting this cost over the entire universe of enrolled employees we come up with an estimated total added first year Government cost of \$53.87 million.

This would increase total Government contributions costs for the next contract period from \$132.3 million to about \$186.21 million. Thereafter plans would undoubtedly increase benefits and rates to take full advantage of the increased Government contribution; this would, in turn, bring the increased Government cost up close to the potential \$100 million mentioned in the Commission's report of August 19, 1963.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., September 5, 1963.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: This refers further to your request of January 24, 1963, for Commission report on H.R. 1102, a bill to amend section 2 of the Federal Employees Health Benefits Act of 1959 to provide that certain students 21 years of age and under shall be included as a member of the family of a Federal employee enrolled in an approved health benefits plan.

Under existing law, the family health benefits enrollment of an employee or annuitant covers, as members of family, his spouse and his unmarried children under age 19. An unmarried child aged 19 or over is covered as a member of family if incapable of self-support due to mental or physical incapacity which existed before his 19th birthday. A child's status and coverage as a member of family thus ceases on the day the child marries, reaches age 19, or, if covered beyond age 19, when he becomes capable of self-support. Cessation of coverage in each instance is subject to a 31-day temporary extension of coverage,

during which the employee has a right to convert the child's coverage, without evidence of insurability, to a nongroup health benefits contract offered by the carrier of his plan.

Effective upon enactment, H.R. 1102 would add another exception to the general provision for termination of a child's coverage at age 19. Under the added exception an unmarried child would be covered as a family member after age 19, but not beyond age 21, so long as he regularly pursues a full-time course of study or training in residence in a high school, trade school, technical or vocational institute, junior college, college, university, or other comparable recognized educational institution. Once qualified as a student, the child would be deemed still in full-time school attendance and eligible for coverage during non-school intervals of not over 4 months between school years or terms, provided he shows a clear intention to continue a full-time student in the same or another school. A student-child reaching age 21 in any month other than July or August would be deemed not to reach age 21 until the July 1 following his actual 21st birthday. Coverage of a child meeting these conditions could thus continue until his actual or presumed 21st birthday, subject to earlier termination if he ceases to be a student. Once coverage terminated because of ceasing to be a student, it could not resume even though the child again returned to full-time schooling before reaching age 21.

The bill needs technical revision in two respects: (1) in line 7, page 1, change the word "eighteen" to "nineteen", to be consistent with existing law, and (2) in line 12, page 2, delete the phrase "to the satisfaction of the Commission"; verification of intention to continue schooling would have to be made by each of some 10,000 employing offices, in connection with family enrollments, and by each of the 40 health benefit carriers, in connection with claims.

Also, the immediate effective date proposed is unrealistic. At least 6 months leadtime would be required to permit implementation of a change of this sort. Detailed information on student-child eligibility would have to be disseminated worldwide to all employing offices, employees, and annuitants. A special enrollment period would have to be arranged to allow persons hitherto without family members to change from self only to family enrollments to cover children newly made eligible as students. To support this type of enrollment change, involving higher employee and Government contributions, it would be necessary to make advance determinations of eligibility of alleged full-time students. In addition, the health benefits carriers would have to develop new procedures and guides for ascertaining and determining student-child status for purposes of claims.

If H.R. 1102 is to be seriously considered, it should be amended to make coverage for the new student-child class effective no earlier than 6 months after enactment.

The Commission does not concur in this proposal. This idea was considered and rejected by the Congress in connection with the framing of the Health Benefits Act in 1959. Senate Report 468, dated July 2, 1959, on S. 2162, the bill which became the Health Benefits Act, states in pertinent part:

"Various birthdays were suggested as being appropriate for ending coverage of children as dependents under family policies. S. 94 included children to age 19 unless they were enrolled in a full-time course of study at an educational institution; in that event coverage

was extended to the 23d birthday. The Civil Service Commission's proposal of April 15 suggested an age limit of 21 for all children whether or not they were in school.

"The committee was aware of the prevalence of college health plans and of inexpensive 'education' health policies available for students. It also examined the prevailing provisions for terminating children's coverage under family policies in voluntary health insurance plans throughout the country. It concluded that it was desirable to cover children until the normal age for completing high school. At this age many young people cease to be dependent and become wage earners. Coverage to age 19 seemed, therefore, the most logical provision."

The Commission agreed in 1959, and still agrees, with this sound judgment on duration of children's coverage adopted by the Congress. Our experience with the health benefits program has not disclosed any significant shift or trend in pertinent factors which would warrant a reversal of the judgment made by the 86th Congress.

Since the health benefits program began in 1960, we have received only a limited number of individual inquiries or suggestions regarding coverage for children over age 19 attending school, and have noted no really urgent or widespread demand for adding such a provision to the health benefits law. It is apparent that this particular legislative proposal was given impetus by the fact that the Civil Service Retirement Act was amended October 11, 1962, to extend survivor annuity to children beyond age 18 up to age 21 based on full-time school attendance. The Commission favored the Retirement Act amendment, but did so for reasons which do not apply to the health benefits program. Child survivors under the retirement law receive their benefits because of the loss through death of the family's main support. Availability of survivor annuity to the student-child aged 18 to 21, who is either an orphan or has only one parent surviving, may often provide the margin of income which enables him to continue with his education.

These considerations do not exist with respect to extending health benefits coverage to student-children aged 19 to 21. In each case, the employee-parent is still living, and termination of the child's health benefits coverage at age 19 presents no real barrier to continuation of his education. The worst that happens is that the employee-parent has to pay a few extra dollars per month for the child's health insurance over a limited period.

The student-child provisions in the Retirement Act have proved complex to apply and their administration has been feasible only because it is done on a centralized basis. This crucial advantage would be absent under the health benefits program which is of necessity operated on a widely decentralized basis. While the Commission has overall responsibility for administering and directing the health benefits program, the great mass of day-to-day operations are carried on by some 10,000 employing offices located worldwide and by the 40 health benefits carriers.

Employing office responsibilities include such functions as explaining to employees their rights and obligations under the program, determining eligibility or ineligibility of employees, registering and enrolling eligibles, processing enrollment changes, reporting enrollments and changes to carriers, remitting and accounting for withholdings and contributions, and maintaining all necessary records of

these transactions. As part of the enrollment process, employing offices now determine the self-support capability of over-age-19 children claimed to be dependent. If an employee has no other member of family, the dependency decision on his over-age-19 child governs his eligibility to enroll or remain enrolled for self and family. At present, these decisions on children past age 19 need be made only infrequently where incapability of self-support is claimed.

Enactment of a student-child provision would multiply the occasions for such decisions many times over. Immediately and on a continuing basis, such provision would confront employing offices with the task of verifying with educational institutions throughout the world the full-time student status of all children claimed by employees to be students in connection with all existing and future family enrollments. Considering that over 1,500,000 family enrollments are now in force, it is possible to visualize the immensity of the added workload which would be imposed upon employing offices. In our judgment, the added administrative expense with respect to employing offices alone would be disproportionately high in comparison to benefits which would accrue to student-children.

A heavy burden would also fall upon health benefits carriers in adjudicating claims and providing health benefits to enrollees and members of their families. Before carriers could make cash payments or payments to doctors and hospitals in student-child cases, the carriers would be obliged to ascertain current student-child status, as well as its existence continuously since age 19 or since date of coverage under a family-enrollment after that age. In some instances the carrier could probably verify a child's student status from records in employing offices (if very recent), but in most cases the carriers would undoubtedly have to make an independent verification of status through correspondence or other contact with educational institutions. The result could only be delays in settlement of claims, ranging in degree from moderate to unconscionable, and a material increase in carriers' administrative expenses.

Even the student-children would be subjected to certain undesirable side effects. For example, in many cases a student-child's admission to a hospital without cash deposit would be delayed pending verification of his current and uninterrupted status as a covered student-child.

In the light of these prospects it is our opinion that the proposed student-child coverage provision would be so difficult of administration under the health benefits program as to be impracticable if not actually unworkable. Accordingly, the Commission recommends that adverse action be taken on H.R. 1102.

We have no data on which to base an estimate of the added cost which would result from enactment of H.R. 1102. Some added cost would certainly result. The cost of providing health benefits for the group, aged 19 to 21, would be negligible. Practically all of the resulting added costs would be in the form of increased administrative expenses. A student-child provision would not, in and of itself, cause any immediate rise in subscription rates, but the feature would be one more factor added to other existing factors which will require rate increases in the future.

Should Congress nevertheless decide to extend children's coverage beyond age 19, the Commission wishes to renew at this time the proposal it advanced in April 1959 to the Senate Committee on Post Office and Civil Service. We would recommend in this event that the age

limit be raised to 21 for all children, regardless of whether they are in school.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in *roman*):

FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

* * * * *

DEFINITIONS

SEC. 2. As used in this Act—

* * * * *

(c) "Annuitant" means—

* * * * *

(3) an employee who receives monthly compensation under the Federal Employees' Compensation Act [as a result of injury sustained or illness contracted on or after such date of enactment] and who is determined by the Secretary of Labor to be unable to return to duty, and

(4) a member of a family who receives monthly compensation under the Federal Employees' Compensation Act as the surviving beneficiary of (A) an employee who, having completed five or more years of service, dies as a result of illness or injury compensable under such Act or (B) a former employee who is separated after having completed five or more years of service and who dies while receiving monthly compensation under such Act [on account of injury sustained or illness contracted on or after such date of enactment] and has been held by the Secretary of Labor to have been unable to return to duty.

* * * * *

(d) "Member of family" means an employee's or annuitant's spouse and any unmarried child (1) under the age of [nineteen] *twenty-one* years (including (A) an adopted child, and (B) a [stepchild or] *stepchild, foster child, or* recognized natural child who lives with the employee or annuitant in a regular parent-child relationship), or (2) regardless of age who is incapable or self-support because of mental or physical incapacity that existed prior to his reaching the age of [nineteen] *twenty-one* years.

[(e) "Dependent husband" means a husband who is incapable of self-support by reason of mental or physical disability which can be expected to continue for more than one year.]

* * * * *

ELECTION OF COVERAGE

SEC. 3. (a) Any employee may, at such time, in such manner, and under such conditions of eligibility as the Commission may by regulation prescribe, enroll in an approved health benefits plan described in section 4 either as an individual or for self and family. Such regulations may provide for the exclusion of employees on the basis of the nature and type of their employment or conditions pertaining thereto, such as, but not limited to, short-term appointments, seasonal or intermittent employment, and employment of like nature, but no employee or group of employees shall be excluded solely on the basis of the hazardous nature of their employment.

(b) Any annuitant who at the time he becomes an annuitant shall have been enrolled in a health benefits plan under this Act—

(1) for a period not less than (A) the five years of service immediately preceding retirement or (B) the full period or periods of service between the last day of the first period, as prescribed by regulations of the Commission, in which he is eligible to enroll in such a plan and the date on which he becomes an annuitant, [whichever is shorter.] or (C) *the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1964, and ending with the date on which he becomes an annuitant, whichever is shortest, or*

(2) as a member of the family of an employee or annuitant may continue his enrollment under such conditions of eligibility as may be prescribed by regulations of the Commission.

(c) If an employee has a spouse who is an employee, either spouse (but not both) may enroll for self and family, or either spouse may enroll as an individual, but no person may be enrolled both as an employee or annuitant and as a member of the family.

(d) A change in the coverage of any employee or annuitant, or of any employee or annuitant and members of his family, enrolled in a health benefits plan under this Act may be made by the employee or annuitant upon application filed within sixty days after the occurrence of a change in family status or at such other times and under such conditions as may be prescribed by regulations of the Commission.

(e) A transfer of enrollment from one health benefits plan described in section 4 to another such plan may be made by an employee or annuitant at such times and under such conditions as may be prescribed by regulations of the Commission.

(f) Persons employed by the county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) may, in such manner and under such conditions of eligibility as the Commission by regulation may prescribe, enroll in an approved health benefits plan described in section 4 either as an individual or for self and family, under the same terms and conditions as apply to other employees who are eligible to enroll in such a plan under this Act. The Secretary of Agriculture is authorized and directed to prescribe and issue such regulations as may be necessary to provide a means of effecting the application and operation of the provisions of this subsection with respect to such persons.

(g) *Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time*

he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before December 31, 1964, and under such other conditions of eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan described in section 4, either as an individual or for self and family.

* * * * *

CONTRACTING AUTHORITY

SEC. 6 (a) The Commission is authorized, without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding, to enter into contracts with qualified carriers offering plans described in section 4. Each such contract shall be for a uniform term of at least one year, but may be made automatically renewable from term to term in the absence of notice of termination by either party.

* * * * *

(d) The Commission is authorized to prescribe regulations fixing reasonable minimum standards for health benefits plans described in section 4 and for carriers offering such plans. Approval of such a plan shall not be withdrawn except after notice, and opportunity for hearing without regard to the Administrative Procedure Act, to the carrier or carriers concerned. *The Commission may terminate the contract of any carrier effective at the end of a contract term, if the Commission finds that at no time during the preceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan.*

* * * * *

(f) No contract shall be made or plan approved which does not offer to each employee and annuitant whose enrollment in the plan is terminated, other than by a cancellation of enrollment, a temporary extension of coverage during which he may exercise the option to convert, without evidence of good health, to a nongroup contract providing health benefits. An employee or annuitant who exercises this option shall pay the full periodic charges of the nongroup [contract, on such terms or conditions as are prescribed by the carrier and approved by the Commission] contract.

(g) The benefits and coverage made available pursuant to the provisions of subsection (f) shall [, at the option of the employee or annuitant,] be noncancelable by the carrier except for fraud, overinsurance, or nonpayment of periodic charges.

* * * * *

CONTRIBUTIONS

SEC. 7. (a)(1) Except as provided in paragraph (2) of this subsection, the Government contribution for health benefits for employees or annuitants enrolled in health benefits plans under this Act, in addition to the contributions required by paragraph (3), shall be 50 per centum of the lowest rates charged by a carrier for a level of benefits offered by a plan under paragraph (1) or paragraph (2) of section 4, but (A) not less than \$1.25 or more than \$1.75 biweekly for

an employee or annuitant who is enrolled for self alone[,] and (B) not less than \$3 or more than \$4.25 biweekly for an employee or annuitant who is enrolled for self and family [(other than as provided in clause (C) of this paragraph), and (C) not less than \$1.75 or more than \$2.50 biweekly for a female employee or annuitant enrolled for self and family including a nondependent husband].

[(2) For an employee or annuitant enrolled in a plan described under section 4 (3) or (4) for which the biweekly subscription charge is less than \$2.50 for an employee or annuitant enrolled for self alone or \$6 for an employee or annuitant enrolled for self and family, the contribution of the Government shall be 50 per centum of such subscription charge, except that if a nondependent husband is a member of the family of a female employee or annuitant who is enrolled for herself and family the contribution of the Government shall be 30 per centum of such subscription charge.]

(2) For an employee or annuitant enrolled in a plan described under section 4 (3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge.

* * * * *

EMPLOYEES HEALTH BENEFITS FUND

SEC. 8. (a) There is hereby created an Employees Health Benefits Fund, hereinafter referred to as the "Fund", to be administered by the Commission, which is hereby made available without fiscal year limitation for all payments to approved health benefits plans. The contributions of employees, annuitants, and the Government described in section 7 shall be paid into the Fund.

(b) Portions of the contributions made by employees, annuitants, and the Government shall be regularly set aside in the Fund as follows: (1) a percentage, not to exceed 1 per centum of all such contributions, determined by the Commission as reasonably adequate to pay the administrative expenses made available by section 9; (2) for each health benefits plan, a percentage, not to exceed 3 per centum of the contributions toward such plan, determined by the Commission as reasonably adequate to provide a contingency reserve. *The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term immediately preceding the contract term in which the transfer is made.* The income derived from any dividends, rate adjustments, or other refunds made by a plan shall be credited to its contingency reserve. The contingency reserves may be used to defray increases in future rates, or may be applied to reduce the contributions of employees and the Government to, or to increase the benefits provided by, the plan from which such reserves are derived, as the Commission shall from time to time determine.

(c) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States and to sell such obligations of the United States

for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

(d)(1) *Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.*

(2) *Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination.*

* * * * *

ADMINISTRATION

SEC. 10. (a) * * *

* * * * *

(c) Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted [shall not be deprived of coverage or benefits for the interim but shall have his coverage restored to the same extent and effect as though such removal or suspension had not taken place, and appropriate adjustments shall be made in premiums, subscription charges, contributions, and claims] *may, at his option, enroll as a new employee or have his coverage restored, with appropriate adjustments made in contributions and claims, to the same extent and effect as though such removal or suspension had not taken place.*



88TH CONGRESS
2D SESSION

Union Calendar No. 475

S. 1561

[Report No. 1142]

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 1963

Referred to the Committee on Post Office and Civil Service

FEBRUARY 17, 1964

Reported with amendments, committed to the Committee of the Whole House
on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To amend the Federal Employees Health Benefits Act of 1959.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the Federal Employees Health Benefits Act of 1959
4 ~~(5 U.S.C. 3001-3014)~~ is hereby amended as follows:

5 ~~(1)~~ Section 2~~(c)~~~~(3)~~ is amended by striking the words
6 ~~"as a result of injury sustained or illness contracted on or~~
7 ~~after such date of enactment"~~.

8 ~~(2)~~ Section 2~~(c)~~~~(4)~~ is amended by striking the words
9 ~~"on account of injury sustained or illness contracted on or~~
10 ~~after such date of enactment"~~.

1 ~~(3)~~ Section 2(d) is amended by inserting, after "step-
2 child", "~~,~~ foster child,".

3 ~~(4)~~ Section 2(e) is repealed.

4 ~~(5)~~ Section 3(b)(1) is amended by inserting, after
5 "or", the last word in the paragraph, the following: "~~(1)~~-
6 the full period or periods of service beginning with the
7 enrollment which became effective not later than December
8 31, 1963, and ending with the date on which he becomes
9 an annuitant, or".

10 ~~(6)~~ Section 3 is amended by adding the following sub-
11 section:

12 "~~(g)~~ Any annuitant (including an individual receiving
13 monthly compensation as a result of injury sustained prior
14 to the effective date specified in section 16 and who would be
15 an annuitant if the injury or illness had been sustained or
16 contracted on or after that date) who at the time he became
17 an annuitant shall have been enrolled in a health benefits
18 plan under this Act and who at the time he became an an-
19 nuitant was ineligible to continue his enrollment may, upon
20 his application before July 1, 1964, and under such other
21 conditions of eligibility as the Commission may by regula-
22 tion prescribe, prospectively enroll in an approved health
23 benefits plan described in section 4 either as an individual
24 or for self and family."

1 ~~(7)~~ Section 6(d) is amended by the addition of a
2 sentence reading as follows:

3 “~~The Commission may terminate the contract of any~~
4 ~~carrier effective at the end of a contract term if the Com-~~
5 ~~mission finds that at no time during the preceding two con-~~
6 ~~tract terms did the carrier have three hundred or more em-~~
7 ~~ployees and annuitants (exclusive of family members)~~
8 ~~enrolled for its plan.”~~

9 ~~(8)~~ Section 6(f) is amended by placing a period after
10 the word “contract” in the last sentence and striking the
11 remainder of the sentence:

12 ~~(9)~~ Section 6(g) is amended by striking “, at the
13 option of the employee or annuitant,”.

14 ~~(10)~~ Section 7(a)(1) is amended by inserting the
15 word “and” at the end of clause (A) and by striking out the
16 following: “(other than as provided in clause (C) of this
17 paragraph); and (C) not less than \$1.75 or more than
18 \$2.50 biweekly for a female employee or annuitant enrolled
19 for self and family including a nondependent husband”.

20 ~~(11)~~ Section 7(a)(2) is amended to read as follows:

21 “(2) For an employee or annuitant enrolled in a plan
22 described under section 4 (3) or (4) for which the biweekly
23 subscription charge is less than twice the Government con-
24 tribution established under paragraph (1) of this subsection:

1 the Government contribution shall be 50 per centum of the
2 subscription charge.”

3 ~~(12)~~ Section 8(b) is amended by inserting after the
4 first sentence thereof, the following new sentences:

5 “The Commission, from time to time and in such
6 amounts as it considers appropriate, may transfer unused
7 funds for administrative expenses to the contingency reserves
8 of the plans then under contract with the Commission. When
9 funds are so transferred, each contingency reserve shall be
10 credited in proportion to the total amount of the subscrip-
11 tion charges paid and accrued to the plan for the contract
12 term immediately preceding the contract term in which the
13 transfer is made.”

14 ~~(13)~~ Section 8 is amended by adding the following sub-
15 section:

16 “~~(d) (1)~~ Whenever the assets, liabilities and member-
17 ship of employee organizations sponsoring or underwriting
18 plans approved under section 4(3) have been or are here-
19 after merged, the assets (including contingency reserves)
20 and liabilities of the plans sponsored or underwritten by the
21 merged organizations shall, at the beginning of the contract
22 term next following the date of the merger or enactment of
23 this subsection, be transferred to the plan sponsored or under-

1 written by the successor organization. Each employee or
 2 annuitant hereafter affected by a merger shall also be trans-
 3 ferred to the plan sponsored or underwritten by the successor
 4 organization unless he enrolls in another plan under this Act.

5 “~~(2)~~ Except as provided in paragraph ~~(1)~~ of this sub-
 6 section, whenever a plan described under section ~~4(3)~~ or
 7 ~~4(4)~~ is or has been discontinued under this Act, the con-
 8 tingency reserve of that plan shall be credited to the con-
 9 tingency reserves of the plans continuing under this Act for
 10 the contract term following that in which termination oc-
 11 curs, each reserve to be credited in proportion to the amount
 12 of the subscription charges paid and accrued to the plan for
 13 the year of termination.”

14 ~~(14)~~ Section 10(e) is amended to read as follows:

15 “~~(e)~~ Any employee enrolled in a plan under this
 16 Act who is removed or suspended without pay and later re-
 17 instated or restored to duty on the ground that such removal
 18 or suspension was unjustified or unwarranted may, at his
 19 option, enroll as a new employee or have his coverage re-
 20 stored to the same extent and effect as though his removal
 21 or suspension had not taken place with appropriate adjust-
 22 ments made in contributions and claims.”

1 ~~SEC. 2. Paragraphs 4, 10, and 11 of section 1 shall take~~
 2 ~~effect on the first day of the first period which begins at least~~
 3 ~~ninety days after the date of enactment of this Act.~~

4 *That the Federal Employees Health Benefits Act of 1959*
 5 *(5 U.S.C. 3001-3014) is hereby amended as follows:*

6 (1) *Section 2(c)(3) (5 U.S.C. 3001(c)(3)) is*
 7 *amended by striking out "as a result of injury sustained or*
 8 *illness contracted on or after such date of enactment".*

9 (2) *Section 2(c)(4) (5 U.S.C. 3001(c)(4)) is*
 10 *amended by striking out "on account of injury sustained*
 11 *or illness contracted on or after such date of enactment".*

12 (3) *Section 2(d) (5 U.S.C. 3001(d)) is amended—*

13 (A) *by inserting ", foster child," immediately fol-*
 14 *lowing "stepchild"; and*

15 (B) *by striking out "nineteen" wherever occurring*
 16 *therein and inserting in lieu thereof "twenty-one".*

17 (4) *Section 2(e) (5 U.S.C. 3001(e)) is repealed.*

18 (5) *Section 3(b)(1) (5 U.S.C. 3002(b)(1)) is*
 19 *amended—*

20 (A) *by striking out "whichever is shorter, or";*
 21 *and*

22 (B) *by inserting in lieu thereof "or (C) the full*
 23 *period or periods of service beginning with the enroll-*

1 ment which became effective not later than December
2 31, 1964, and ending with the date on which he becomes
3 an annuitant, whichever is shortest, or”.

4 (6) Section 3 (5 U.S.C. 3002) is amended by adding
5 at the end thereof the following new subsection:

6 “(g) Any annuitant (including an individual receiving
7 monthly compensation as a result of injury sustained prior
8 to the effective date specified in section 16 and who would be
9 an annuitant if the injury or illness had been sustained or
10 contracted on or after that date) who at the time he became
11 an annuitant shall have been enrolled in a health benefits
12 plan under this Act and who at the time he became an an-
13 nuitant was ineligible to continue his enrollment may, upon
14 his application before December 31, 1964, and under such
15 other conditions of eligibility as the Commission may by
16 regulation prescribe, prospectively enroll in an approved
17 health benefits plan described in section 4, either as an in-
18 dividual or for self and family.”

19 (7) Section 6(d) (5 U.S.C. 3005(d)) is amended
20 by adding at the end thereof the following new sentence:
21 “The Commission may terminate the contract of any carrier
22 effective at the end of a contract term, if the Commission
23 finds that at no time during the preceding two contract

1 *terms did the carrier have three hundred or more employees*
2 *and annuitants (exclusive of family members) enrolled for*
3 *its plan.”*

4 (8) Section 6(f) (5 U.S.C. 3005(f)) is amended by
5 striking out “, on such terms or conditions as are prescribed
6 by the carrier and approved by the Commission”.

7 (9) Section 6(g) (5 U.S.C. 3005(g)) is amended
8 by striking out “, at the option of the employee or annui-
9 tant,”.

10 (10) Section 7(a)(1) (5 U.S.C. 3006(a)(1)) is
11 amended—

12 (A) by striking out the comma at the end of clause
13 (A) thereof and inserting “and” in lieu of such comma;
14 and

15 (B) by striking out “(other than as provided in
16 clause (C) of this paragraph), and (C) not less than
17 \$1.75 or more than \$2.50 biweekly for a female em-
18 ployee or annuitant enrolled for self and family includ-
19 ing a nondependent husband”.

20 (11) Section 7(a)(2) (5 U.S.C. 3006(a)(2)) is
21 amended to read as follows:

22 “(2) For an employee or annuitant enrolled in a plan
23 described under section 4 (3) or (4) for which the biweekly
24 subscription charge is less than twice the Government con-
25 tribution established under paragraph (1) of this subsection,

1 the Government contribution shall be 50 per centum of the
2 subscription charge.”

3 (12) Section 8(b) (5 U.S.C. 3007(b)) is amended by
4 inserting immediately after the first sentence thereof the follow-
5 ing new sentences: “The Commission, from time to time and
6 in such amounts as it considers appropriate, may transfer
7 unused funds for administrative expenses to the contingency
8 reserves of the plans then under contract with the Com-
9 mission. When funds are so transferred, each contingency
10 reserve shall be credited in proportion to the total amount
11 of the subscription charges paid and accrued to the plan for
12 the contract term immediately preceding the contract term
13 in which the transfer is made.”

14 (13) Section 8 (5 U.S.C. 3007) is amended by adding
15 at the end thereof the following new subsection:

16 “(d)(1) Whenever the assets, liabilities, and member-
17 ship of employee organizations sponsoring or underwriting
18 plans approved under section 4(3) have been or are here-
19 after merged, the assets (including contingency reserves)
20 and liabilities of the plans sponsored or underwritten by the
21 merged organizations shall, at the beginning of the contract
22 term next following the date of the merger or enactment of
23 this subsection, be transferred to the plan sponsored or under-
24 written by the successor organization. Each employee or
25 annuitant hereafter affected by a merger shall also be trans-

1 ferred to the plan sponsored or underwritten by the successor
2 organization unless he enrolls in another plan under this Act.

3 “(2) Except as provided in paragraph (1) of this sub-
4 section, whenever a plan described under section 4(3) or
5 4(4) is or has been discontinued under this Act, the con-
6 tingency reserve of that plan shall be credited to the con-
7 tingency reserves of the plans continuing under this Act for
8 the contract term following that in which termination oc-
9 curs, each reserve to be credited in proportion to the amount
10 of the subscription charges paid and accrued to the plan for
11 the year of termination.”

12 (14) Section 10(c) (5 U.S.C. 3009(c)) is amended
13 to read as follows:

14 “(c) Any employee enrolled in a plan under this Act
15 who is removed or suspended without pay and later rein-
16 stated or restored to duty on the ground that such removal or
17 suspension was unjustified or unwarranted may, at his option,
18 enroll as a new employee or have his coverage restored, with
19 appropriate adjustments made in contributions and claims,
20 to the same extent and effect as though such removal or sus-
21 pension had not taken place.”

22 SEC. 2. Paragraphs (4), (10), and (11) of the first
23 section of this Act shall become effective on the first day of
24 the first pay period which begins at least ninety days after
25 the date of enactment of this Act.

Amend the title so as to read: “An Act to amend the Federal Employees Health Benefits Act of 1959 to remove certain inequities in the application of such Act, to improve the administration thereof, and for other purposes.”

Passed the Senate November 15 (legislative day, October 22), 1963.

Attest:

FELTON M. JOHNSTON,

Secretary.

88TH CONGRESS
2D Session

S. 1561

[Report No. 1142]

AN ACT

To amend the Federal Employees Health
Benefits Act of 1959.

NOVEMBER 18, 1963

Referred to the Committee on Post Office and Civil
Service

FEBRUARY 17, 1964

Reported with amendments, committed to the Com-
mittee of the Whole House on the State of the
Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Mar. 3, 1964
For actions of Mar. 2, 1964
88th-2nd; No. 37

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HIGHLIGHTS: Senate debated cotton-wheat bill. Sen. Aiken commended special milk program. Sen. Gruening inserted and commended Galbraith article on poverty program. Sen. Keating commended President on lard for Cuba and asked closer coordination of trade policies. Both Houses received USDA legislative proposals on food donations and crop-history preservation. Rep. Whitten urged tariff investigation of livestock imports. Several Reps. claimed Soviet wheat purchases not caused by crop failure. Rep. Fulton, Tenn., inserted editorial favoring food stamp program. Several Reps. introduced bills to restrict meat imports. Reps. Dorn and Hoeven inserted resolutions opposing meat imports. Rep. Jensen inserted letters expressing concern over depressed cattle prices. Rep. Cooley praised food stamp program.

SENATE

1. COTTON; WHEAT. Continued debate on H. R. 6196, the cotton-wheat bill. Several Senators submitted amendments which they intend to propose. Pending at recess was a modified amendment by Sen. Ellender providing substitute language on cotton and eliminating the wheat provisions. pp. 3904-7, 3319-21, 3946-61, 3963-78, 3980-2
2. PEACE CORPS. Passed without amendment S. 2455, to authorize appropriation of \$115,000,000 for the Peace Corps for the fiscal year 1965. pp. 3908-11
3. FOOD DONATIONS; ACREAGE ALLOTMENTS. Both Houses received from this Department proposed bills to permit purchase of processed food grain products in addition to purchase of flour and cornmeal and donating the same for certain domestic

and foreign purposes, to continue the donations of dairy products for veterans and the armed forces, to make uniform for all commodities the provisions for reducing farm acreage and producer allotments for false statements, and to provide for a uniform rule regarding preservation of crop history under agricultural programs; to Senate Agriculture and Forestry Committee, House Agriculture Committee. pp. 3898, 3895

4. ECONOMIC REPORT. Received the report of the Joint Committee on the Economic Report (S. Rept. 931). pp. 3899-60
5. EXPENDITURES; PERSONNEL. Received the report of the Byrd Committee on Reduction of Nonessential Federal Expenditures relating to Government employment, etc. pp. 3900-3
6. SPECIAL MILK PROGRAM. Sen. Aiken commended the special milk program as an aid to the physical fitness program. pp. 3921-2
7. POVERTY PROGRAM. Sen. Gruening discussed the poverty program and inserted and commended an article by Professor Galbraith, "Let Us Begin: An Invitation to Action on Poverty." pp. 3928-36
8. FOREIGN TRADE. Sen. Keating commended President Johnson for blocking lard shipments to Cuba and recommended closer coordination of trade policies. pp. 3942-3
9. CONSERVATION. Sen. Morse commended the recipients of Secretary Udall's conservation awards. pp. 3978-9
10. CIVIL DEFENSE; BUILDINGS. A subcommittee of the Armed Services Committee deferred action on H. R. 8200, to provide for construction of fallout shelters in all Government buildings. p. D156

HOUSE

11. MEAT IMPORTS. Rep. Whitten urged that the Secretary use Sec. 22 authority to cause a Tariff Commission investigation of livestock imports. pp. 3870-1
12. WHEAT. Several Representatives agreed with the charge by Rep. Stinson that the compelling reason for the Soviet's purchases of wheat is not a crop failure but rather in order to meet their export commitments, build up strategic stockpiles for possible war purposes, and for use in their chemical industry. pp. 3873-8
13. FOOD STAMP PROGRAM. Rep. Fulton (Tenn.) inserted an editorial urging the continuation of the food stamp program. p. 3894
14. D. C. APPROPRIATIONS. The Appropriations Committee reported H. R. 10199, the D. C. appropriation bill (H. Rept. 1160). p. 3896
15. WEATHER RESEARCH. Both Houses received an interim report from Commerce relating to research progress and plans of the Weather Bureau, fiscal year 1963. pp. 3896, 3898
16. PERSONNEL; HEALTH. Passed as reported S. 1561, to amend the Federal Employees' Health Benefits Act "by eliminating the discrimination against married women's contributions toward their insurance premium." pp. 3867-70

Strike out all after the enacting clause and insert the following: "That, effective January 1, 1965, section 715 of title 38, United States Code, is amended to read as follows:

"The Administrator shall, except as hereinafter provided, upon application by the insured and proof of good health satisfactory to the Administrator and payment of such extra premium as the Administrator shall prescribe, include in any national service life insurance policy on the life of the insured (except a policy issued under section 620 of the National Service Life Insurance Act of 1940, or section 722 of this title) provisions whereby an insured who is shown to have become totally disabled for a period of six consecutive months or more commencing after the date of such application and before, attaining the age of sixty-five and while the payment of any premium is not in default, shall be paid monthly disability benefits from the first day of the seventh consecutive month of and during the continuance of such total disability of \$10 for each \$1,000 of such insurance in effect when such benefits become payable. The total disability provision authorized under this section shall not be issued unless application therefor is made either prior to the insured's fifty-fifth birthday, or before the insured's sixtieth birthday and prior to January 1, 1966. The total disability provision authorized under this section shall not be added to a policy containing the total disability coverage heretofore issued under section 602(v) of the National Service Life Insurance Act of 1940, or the provisions of this section as in effect before January 1, 1965, except upon surrender of such total disability coverage, proof of good health, if required, satisfactory to the Administrator, and payment of such extra premium as the Administrator shall determine is required in such cases. Participating policies containing additional provisions for the payment of disability benefits may be separately classified for the purposes of dividend distribution from otherwise similar policies not containing such benefit'".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time, and passed.

The title was amended to read:

A bill to amend section 715 of title 38, United States Code, to authorize, under certain conditions, the issuance of total disability income provisions for inclusion in National Service Life Insurance policies to provide coverage to age sixty-five.

A motion to reconsider was laid on the table.

(Mr. SAYLOR asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. SAYLOR. Mr. Speaker, H.R. 6920 will authorize a new total disability income provision in national service life insurance policy providing for the payments of total disability income benefits if the insured becomes totally disabled prior to age 65. At the present time total disability income protection is available only if the insured becomes totally disabled before attaining age 60. The philosophy of this legislation is in keeping with the present trend in the insurance industry toward providing more health protection for our senior citizens.

Under the provisions of this legislation, holders of national service life insurance who can show good health and will pay an additional premium may receive \$10 per month for each \$1,000 of

insurance in effect after 6 months of total disability and continuing for as long as the total disability exists. Herebefore the total disability must have existed prior to age 60 for entitlements to this benefit. H.R. 6920 authorizes a new plan of total disability income protection increasing the age limit to 65 years. When this bill was considered before and passed over a question was raised as to the cost of the bill.

An inquiry to the Veterans' Administration on the cost estimates of H.R. 6920 revealed the following:

The slight increase in cost after the third year is attributed to the costs of processing an increased number of claims under the total disability income provisions created by this bill. The Veterans' Administration anticipates a slight increase in the cost each succeeding year, again occasioned by an increasing number of claims. It is not anticipated that the cost will increase by more than \$5,000 in any one year over the previous year's cost. The administrative cost of processing an individual claim is estimated at \$29 per claim.

I commend the House upon the approval of this bill.

TRANSFERRING AUSTIN, FORT BEND, AND WHARTON COUNTIES FROM THE GALVESTON DIVISION TO THE HOUSTON DIVISION OF THE SOUTHERN DISTRICT OF TEXAS

The Clerk called the bill (S. 721) to amend section 124 of title 28, United States Code, to transfer Austin, Fort Bend, and Wharton Counties from the Galveston division to the Houston division of the Southern District of Texas.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) paragraph (1) of section 124(b) of title 28, United States Code, is amended to read as follows:

"(1) The Galveston division comprises the counties of Brazoria, Chambers, Galveston, and Matagorda.

"Court for the Galveston division shall be held at Galveston."

(b) Paragraph (2) of section 124(b) of title 28, United States Code, is amended to read as follows:

"(2) The Houston division comprises the counties of Austin, Brazos, Colorado, Fayette, Fort Bend, Grimes, Harris, Madison, Montgomery, Polk, San Jacinto, Trinity, Walker, Waller, and Wharton.

"Court for the Houston division shall be held at Houston."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

INCLUSION OF HOPKINS COUNTY WITHIN THE PARIS DIVISION OF THE EASTERN DISTRICT FOR THE U.S. DISTRICT COURTS IN TEXAS

The Clerk called the bill (H.R. 5964) to provide for the inclusion of Hopkins County, Tex., within the Paris division of the eastern district for the U.S. district courts in Texas.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That (a) paragraph (4) of subsection (c) of section 124 of title 28, United States Code, is amended to read as follows:

"(4) The Paris division comprises the counties of Delta, Fannin, Hopkins, Lamar, and Red River.

"Court for the Paris division shall be held at Paris."

(b) Paragraph (5) of such subsection is amended by striking out "Hopkins."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDMENT TO THE ATOMIC ENERGY ACT OF 1954

The Clerk called the bill (H.R. 9711) to amend the Atomic Energy Act of 1954.

Mr. SAYLOR. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

AMENDMENTS TO THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

Mr. MURRAY. Mr. Speaker, I move to suspend the rules and pass the bill (S. 1561) to amend the Federal Employees Health Benefits Act of 1959.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3001-3014) is hereby amended as follows:

(1) Section 2(c)(3) (5 U.S.C. 3001(c)(3)) is amended by striking out "as a result of injury sustained or illness contracted on or after such date of enactment".

(2) Section 2(c)(4) (5 U.S.C. 3001(c)(4)) is amended by striking out "on account of injury sustained or illness contracted on or after such date of enactment".

(3) Section 2(d) (5 U.S.C. 3001(d)) is amended—

(A) by inserting "foster child," immediately following "stepchild"; and

(B) by striking out "nineteen" wherever occurring therein and inserting in lieu thereof "twenty-one".

(4) Section 2(e) (5 U.S.C. 3001(e)) is repealed.

(5) Section 3(b)(1) (5 U.S.C. 3002(b)(1)) is amended—

(A) by striking out "whichever is shorter, or"; and

(B) by inserting in lieu thereof "or (C) the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1964, and ending with the date on which he becomes an annuitant, whichever is shortest, or".

(6) Section 3 (5 U.S.C. 3002) is amended by adding at the end thereof the following new subsection:

"(g) Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before December 31, 1964, and under such other conditions of

eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan describe in section 4, either as an individual or for self and family."

(7) Section 6(d) (5 U.S.C. 3005(d)) is amended by adding at the end thereof the following new sentence: "The Commission may terminate the contract of any carrier effective at the end of a contract term, if the Commission finds that at no time during the preceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan."

(8) Section 6(f) (5 U.S.C. 3005(f)) is amended by striking out "on such terms or conditions as are prescribed by the carrier and approved by the Commission".

(9) Section 6(g) (5 U.S.C. 3005(g)) is amended by striking out "at the option of the employee or annuitant."

(10) Section 7(a) (1) (5 U.S.C. 3006(a) (1)) is amended—

(A) by striking out the comma at the end of clause (A) thereof and inserting "and" in lieu of such comma; and

(B) by striking out "(other than as provided in clause (C) of this paragraph), and (C) not less than \$1.75 or more than \$2.50 biweekly for a female employee or annuitant enrolled for self and family including a non-dependent husband".

(11) Section 7(a) (2) (5 U.S.C. 3006(a) (2)) is amended to read as follows:

"(2) For an employee or annuitant enrolled in a plan described under section 4(3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge."

(12) Section 8(b) (5 U.S.C. 3007(b)) is amended by inserting immediately after the first sentence thereof the following new sentences: "The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term immediately preceding the contract term in which the transfer is made."

(13) Section 8(5 U.S.C. 3007) is amended by adding at the end thereof the following new subsection:

"(d) (1) Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.

"(2) Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination."

(14) Section 10(c) (5 U.S.C. 3009(c)) is amended to read as follows:

"(c) Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted may, at his option, enroll as a new employee or have his coverage restored, with appropriate adjustments made in contributions and claims, to the same extent and effect as though such removal or suspension had not taken place."

SEC. 2. Paragraphs (4), (10), and (11) of the first section of this Act shall become effective on the first day of the first pay period which begins at least ninety days after the date of enactment of this Act.

Amend the title so as to read: "An Act to amend the Federal Employees Health Benefits Act of 1959 to remove certain inequities in the application of such Act, to improve the administration thereof, and for other purposes."

The SPEAKER. Is a second demanded?

Mr. CORBETT. Mr. Speaker, I demand a second.

Mr. MURRAY. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. MURRAY. Mr. Speaker, I yield such time as he may desire to the gentleman from Texas [Mr. POOL].

Mr. POOL. Mr. Speaker, it has certainly been a most interesting and rewarding experience for me to have served as chairman of the subcommittee of the Post Office and Civil Service Committee that considered this legislation.

Anyone who has had the opportunity to study and observe the operations of the Federal employees health benefits program cannot help but be enormously impressed by the fact that it is undoubtedly one of the most far reaching, progressive, and beneficial "fringe benefits" ever established by any employer for its employees.

Enacted by the Congress in 1959 as Public Law 86-382, the program started operating on July 1, 1960. It now provides over 2 million Federal employees and their 4 million family members with a level of health insurance protection that ranks among the best and most complete obtainable. It is the largest health benefits program in the world and every single day it acts as a protective buffer around Federal employees against the financial impact of not only routine medical expenses but the oftentimes ruinous drain of major medical and hospital costs. The carriers of the 38 participating health benefits plans have paid out approximately \$1 billion in benefits in the less than 4 years of its existence.

The administration of the Federal employees health benefits program is under the jurisdiction of the Civil Service Commission which, certainly, deserves the highest commendation, not only for the smooth and efficient manner in which the program functions, but also for its own Herculean accomplishment in getting the program established in the first place within the rather broad guidelines that

were laid down by Congress in the enabling legislation.

However, the experience of the Civil Service Commission to date in administering the program has revealed a few problem areas which it now feels require legislative action. In an official recommendation submitted to the Congress on May 8, 1963, the Commission proposed legislation to solve these problems and S. 1561, unanimously reported from our committee and now before the House, is the result of that recommendation.

S. 1561 incorporates 14 separate amendments to the Federal Employees Health Benefits Act of 1959. These amendments are intended:

First. To solve problems that have arisen from the application of the act to particular circumstances that could not be foreseen prior to enactment;

Second. To correct certain inequities that have developed; and

Third. To simplify and improve generally the administration of the act.

Nine of the amendments are those which were contained in the official recommendation of the Civil Service Commission. The remaining five amendments were adopted as a result of the extensive hearings conducted on the legislation by our committee and the Senate committee. These hearings revealed the need for further improvements in the act. I would like to emphasize that all of the amendments, including those which were not originally recommended by the Civil Service Commission, have been endorsed by this agency.

Seven of the amendments that are proposed to the Health Benefits Act in S. 1561 will add certain new benefits for employees; six of the amendments are designed to improve the administration of the program; and one corrects a technical defect in existing law.

Mr. Speaker, since there is no controversy involved in any of the amendments proposed in S. 1561, I think it unnecessary here to review in detail each separate amendment. They are fully explained in the committee report on the bill which is available to the Members. However, I would like to highlight a few of the changes that are made in existing law, particularly those which would extend new benefits. While, with one exception, they cannot be considered major departures from existing law, they are important and will contribute materially to improving the program.

One amendment adds foster children, who are presently excluded, to the list of family members who can be covered by the enrollment of an employee or annuitant, if these children are living with the employee or annuitant in a regular parent-child relationship.

Health benefits coverage will be continued for unmarried children up to the age of 21 years under an employee's family enrollment. The age limit presently is 19 years.

Another amendment makes provision for permitting employees, who otherwise might be ineligible to do so because they did not enroll at their first opportunity, to continue their health benefits protection when they retire on immediate annuities.

Certain retirees who lost their health benefits protection when they retired because they had not enrolled at the first opportunity will be permitted to regain their coverage.

Two of the amendments provide for the orderly and equitable disposition of the contingency reserves of health benefits plans that discontinue business or of health benefits plans sponsored by employee organizations that are involved in mergers. Existing law makes no provision at all for the disposition of these contingency reserves.

Perhaps the most significant amendment, at least from the point of view of over 100,000 married women employees, corrects a very serious inequity involving them that has existed since the program went into effect on July 1, 1960. Present law discriminates against these female employees by requiring them to pay appreciably more for their family enrollments when they have non-dependent husbands. There is no similar penalty in existing law for married male employees whose wives may not be dependent upon them. The amendment would simply eliminate the separate enrollment classification for these married women employees who might have non-dependent husbands and it puts them on the same Government contribution basis as all other regular family enrollments.

I would like to point out that this particular amendment is the only one of the 14 that involves any cost to the Government. The Civil Service Commission estimates that the cost of this amendment to the Government will be approximately \$3.25 million per year, but in the interests of equity and in removing a discrimination against one class of employees that never should have existed in the first place, this cost is fully justified as a part of the overall cost of the Government's share of the program.

As I indicated, there are no costs to the Government involved in any of the other amendments. In fact, the Civil Service Commission estimates that adoption of the remaining amendments will result in minor savings in administrative expenses.

Mr. Speaker, S. 1561 is extremely desirable legislation. It will materially improve and strengthen the Federal employees health benefits program, already recognized as one of the finest and most complete in the world. I earnestly urge the adoption of S. 1561.

Mr. CUNNINGHAM. Mr. Speaker, will the gentleman yield?

Mr. POOL. I yield to the gentleman.

Mr. CUNNINGHAM. I want to compliment the gentleman on his statement. I certainly support the gentleman's presentation and I support the bill. Having been a member of the committee that developed the health program for our Federal employees, I think it is one of the finest that could possibly have been developed. I want to compliment the Civil Service Commission particularly for taking a difficult piece of legislation and working it out so smoothly. So I do want to say it is a very fine piece of legislation that we passed out of our Committee on the Civil Service several years ago and that this will strengthen

the program. It is the very finest health and accident that is available on the market today.

[Mr. POOL addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. CORBETT. Mr. Speaker, I yield such time as she may consume to the gentlewoman from New York [Mrs. ST. GEORGE] who is ranking member on the subcommittee that handled this bill.

Mrs. ST. GEORGE. Mr. Speaker, I wholeheartedly join my distinguished colleague from Texas in urging approval here today of S. 1561.

I was privileged to serve on the Post Office and Civil Service Committee in 1959 and participate in the lengthy hearings and executive sessions out of which emerged Public Law 86-382—the Federal Employees Health Benefits Act, certainly one of the most valuable and beneficial fringe benefits ever enacted by Congress for Federal employees.

Under this program, the Federal Government has joined with other progressive and enlightened employers by contributing a share of the cost of protecting its employees and their dependents against the high, unbudgetable, and financially burdensome cost of medical services. Federal employees are able to purchase protection at comparatively low cost from the oppressive expenses of normal medical care and the generally crushing expenses of major or catastrophic illness or injuries.

I might mention that a corollary benefit of this program is that it has materially improved the competitive position of the Federal Government in the recruitment and retention of competent civilian personnel.

I remember when the program was originally enacted, there were many who expressed serious doubts that a health benefits program of this magnitude—one that would offer the best possible health insurance protection to over 2 million employees and their families—could ever be successfully inaugurated without at least the necessity for a continuing series of perfecting and strengthening legislative proposals. It is indeed a real testimonial, not only to the legislative architects of the original program, but also to the Civil Service Commission that was charged with responsibility for getting the program underway and administering it, that after a period of almost 4 years of efficient operation this is the first request the Congress has had for any important perfecting legislation.

S. 1561 is the result of an official request which we received from the Civil Service Commission, based upon its experiences to date in administering the program. The bill contains 14 separate amendments to the Federal Employees Health Benefits Act that are designed to bolster it in a few weak spots, correct certain inequities that have been uncovered, and remove a few obstacles in the path of efficient administration.

Only two of the amendments can in any way be considered major substantive changes in the act, but in my opinion, they are the changes that are the most highly desirable. In fact, the existing provisions of law leading to the need for

these two amendments should never have been incorporated in the original act. Both of these amendments have been explained by my colleague from Texas, but I do want to review them again briefly for you.

The first amendment continues health benefits coverage under a family enrollment for unmarried children until they reach 21 years of age. The 21-year age limit, incidentally, was recommended to our committee and to the Senate committee in 1959 by the Civil Service Commission during our original consideration of the legislation. Experience to date proves that the Commission was right in advocating at that time a 21-year age limit rather than the 19-year age limit that was finally adopted in 1959. In spite of what you might hear and read about the prevalence of early marriages today, more and more young people are remaining a part of the family household until a later age and their mothers and fathers are still morally and legally responsible for them, at least until they reach the legal age of 21. Changing the age limit to 21 will be particularly helpful to families who have children in college and who are already under a heavy financial burden without being required to purchase separate and more expensive health insurance for their children.

The really good thing about this particular amendment is that it extends an important benefit to Federal employees without adding to the overall cost of the program. The Civil Service Commission endorses this change and, in an official report to our committee, pointed out that its cost, if any, would be quite minimal.

The second amendment contained in S. 1561 that I would like to call to your attention is the one that I consider the most important. It corrects an extremely inequitable condition that has existed since enactment of the health benefits program—a condition that never should have existed, and one that has been of deep concern to me ever since. This amendment quite simply will eliminate the "odd man" classification that was set up in the original act for married women employees whose husbands are nondependent upon them. This separate and discriminatory enrollment classification called for a much smaller Government contribution to their health benefits coverage, thus requiring that they pay a higher percentage share of the total cost of health insurance protection than single persons or married men with families. There is no separate classification or similar penalty imposed upon married men whose wives work and who, in effect, are not dependent.

Singling out this group of Federal Government workers for lower benefits than their coworkers certainly has constituted a serious inequity and particularly at a time when a lot of effort, from the White House on down, is being exerted to provide fully equal consideration for female employees in all phases of Government employment.

S. 1561 will eliminate the "odd man" female and nondependent husband enrollment classification and place these women employees in the regular self and family enrollment where the Government's contribution to their health benefits plans will be exactly the same as

what it is for all other family enrollments.

As the gentleman from Texas has informed you, this is the only amendment in the bill that involves any cost—an estimated \$3.25 million per year. However, this is a cost that is entirely justified as a part of the overall cost of the entire Federal employees health benefits program. It is a cost that the Government rightfully should have been paying since July 1, 1960. In fact, rather than speaking in terms of additional cost here, a good case could be made that the Government has reaped an undeserved windfall of three and a quarter million dollars per year since July 1960 at the expense of a dedicated group of employees, and that this bill only requires that the Government start paying what it should have paid all along.

Mr. Speaker, the amendments to the Federal Employees Health Benefits Act contained in S. 1561 were very carefully considered by my committee and they are offered here today by a unanimous vote of the committee. I sincerely urge their favorable consideration by the House.

Mr. CORBETT. Mr. Speaker, I yield to the gentleman from Illinois [Mr. SPRINGER].

(Mr. SPRINGER asked and was given permission to revise and extend his remarks.)

Mr. SPRINGER. Mr. Speaker, I wish to urge passage today of S. 1561, as amended by the House Committee on Post Office and Civil Service.

On September 1, 1959, Mr. Speaker, I supported a motion to suspend the rules and pass S. 2162, a bill to provide for a health benefits program for Federal employees. The motion carried and S. 2162 subsequently was enacted into law. The intervening time has proven that decision of the Congress to be a good one. The Federal employees health benefits program has operated well, confounding its critics who said it was unworkable. However, minor problem areas have developed in the administration of this program. And today we have an opportunity to correct some of the problems and also to eliminate certain inequities which have appeared. We can do this by passing S. 1561.

Of particular importance, Mr. Speaker, is paragraph 4 which would eliminate an unjust discrimination against married female employees who are required to pay substantially more for their health benefits protection than are married male employees. At present, the married female employee cannot include a nondependent husband in her family policy and receive the same governmental benefits as can a married male employee. To me this is utterly unfair. A woman, providing for her family's health protection, is entitled to exactly the same consideration from her Government as is the male employee protecting his family. The Civil Service Commission has estimated that approximately 100,000 women would qualify for this increased coverage and, even though it would add some to the total cost of the program, the Commission would not, in the interest of equity, oppose the pro-

posal. Those five words "in the interest of equity" are of the utmost importance and should be taken to heart by every Member present today. "In the interest of equity" we should, today, raise the married female employee to the level which the married male employee has enjoyed and benefited from since the program went into effect on July 1, 1960.

Of equal importance, Mr. Speaker, is paragraph 3(A) which adds foster children who are living with the employee in a regular parent-child relationship to the list of family members who can be covered. Again, this is a matter of equity. Such foster children are customarily included in health plans in private enterprise. Therefore, this paragraph merely—and I might add belatedly—brings them under coverage in the Federal program. Not to do so is to work an undue hardship on employees who may be rearing a grandchild—a niece—or a minor brother or sister whose parents are dead.

S. 1561 is well-conceived, well-studied legislation. The Committee on Post Office and Civil Service is to be commended for presenting this excellent legislation to us today. It deserves passage.

Mr. CORBETT. Mr. Speaker, might I inquire if the gentleman from Tennessee has any other requests for time?

Mr. MURRAY. Mr. Speaker, I have no further requests for time on this side.

The SPEAKER. The question is on the motion of the gentleman from Tennessee [Mr. MURRAY], that the House suspend the rules and pass the bill S. 1561 with an amendment.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The title was amended so as to read: "An Act to amend the Federal Employees Health Benefits Act of 1959 to remove certain inequities in the application of such Act, to improve the administration thereof, and for other purposes."

A motion to reconsider was laid on the table.

OUR LIVESTOCK AND MEAT PRODUCTS IMPORT PROBLEM—ACTION UNDER SECTION 22 NEEDED

(Mr. WHITTEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WHITTEN. Mr. Speaker, section 22 of the Agricultural Adjustment Act, among other things, provides that:

Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program * * * or any loan, purchase * * * operation * * * or to reduce substantially the amount processed * * * he shall so advise the President, and if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the U.S. Tariff Commission.

And upon a proper finding a 50 percent tax or quantitative limitation may be required.

Imports of livestock and meat products imported into this country have increased by more than 100 percent in the last few years. These imports have created a surplus on the domestic market, perilously endangering and affecting the operations of farm programs.

For years our Government periodically has been required to purchase surplus meats, and on at least one occasion live cattle, all within the intent of section 32 of the Agricultural Adjustment Act and with funds generated by that act, all in an effort to strengthen the market. We are threatened with such a situation now.

We have a price support program for grain, and if this great inflow of livestock and meat products is not stopped, we will find less grain fed to livestock at home and this agricultural program will be thus endangered. If these increased imports are not stopped, less American meat will be processed over the years ahead.

The agreements with Australia and New Zealand to reduce shipments to us, while good, are far too little. Therefore, Mr. Speaker, I urge the Secretary of Agriculture to move now to set the provisions of section 22 in motion.

FOREIGN AID HURTS

Mr. Speaker, this problem is compounded by other policies of the Government. Through our foreign aid program the United States is authorized to finance and is apparently financing American cattle interests in locating in South and Central America, as well as other areas, with their operations guaranteed by the U.S. Government, enabling such American interests to produce cattle and return them to the United States without restriction.

The Agency for International Development, according to its bulletin, provides for:

First. An investment survey. AID will finance 50 percent of the cost of a trip to look over the situation in a foreign country.

Second. AID will make a dollar loan, also Export-Import Bank, International Finance Corporation and World Bank, and Inter-American Development Bank.

Third. AID will also make local currency loans from currencies generated by Public Law 480.

Fourth. AID will guarantee against political risks and some business risks.

Then, cattle and other livestock produced abroad can be sent back into the United States without limitation. I understand that even now many more Americans are getting set for this Santa Claus program offered by the U.S. Government through foreign aid, while Internal Revenue Service attempts to collect, in taxes, just a small share of the millions of dollars which other Americans have made under this program at the expense of their American competitors who stayed at home.

INVESTIGATION BEING MADE

When this was brought to our attention a few weeks ago, our Agriculture Appropriations Subcommittee provided for an investigation by the Appropria-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

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HIGHLIGHTS: Senate passed cotton-wheat bill. Sen. Hruska and others introduced and Sen. Hruska discussed bill to impose quotas on meat imports. Rep. Beerman inserted article analyzing meat-imports situation.

SENATE

1. COTTON; WHEAT. Passed, 53-35, with amendments H. R. 6196, the cotton-wheat bill. Senate conferees were appointed. pp. 4410-25, 4444-7, 4449-86

Agreed to the following amendments:

By Sen. Ellender, to end the cotton provisions in 2 years rather than 4, by a 46-43 vote. pp. 4415-24

By Sen. McClellan, to authorize transfer of cotton allotments in case of natural disaster. pp. 4470-1

By Sen. Mundt, to authorize transfer of wheat allotments in case of natural disaster. p. 4475

Rejected the following amendments:

By Sen. Williams, N. J., to provide for cotton allotments on a baleage basis and wheat allotments on a bushelage basis, by a 19-66 vote pp. 4411-15

By Sen. Ellender, to equalize the price of cotton to foreign users with that paid by domestic users, by a 28-59 vote. pp. 4445-7, 4449

By Sen. Miller, to require that advertisements and labels of imported meat poultry, and fish indicate their foreign origin (as amended by an amendment by Sen. Magnuson to add lumber products), by a 34-55 vote. pp. 4449-54

By Sen. Tower, to prohibit the Export-Import Bank or any other Government agency from guaranteeing payment of any Communist obligations in the purchase of any farm products and providing that at least 50% of any farm products sold to a Communist country shall be shipped in U. S.-flag vessels, by a 36-53 vote. pp. 4455-9

By Sen. Miller, to provide for a referendum on the voluntaty wheat program, by a 32-56 vote. pp. 4459-63

By Sen. Tower, to strike out the wheat provisions, by a 42-46 vote. pp. 4463-9

Debated the following amendments, which were then withdrawn:

By Sen. Williams, Del., to require that in the sale of agricultural commodities under title I of Public Law 480, for soft currencies, 25% of the sales shall be in the form of dollars or hard currencies, and that another 25% shall be set aside for the use of the U. S. Government at its own discretion. pp. 4444-5

By Sen. Bayh, to provide for a long-range land retirement program. pp. 4472-5

2. FOREIGN CURRENCIES. Passed without amendment S. 2115, to ^{permit} the use of reserved foreign currencies in lieu of dollars for current expenditures. pp. 4414-5
3. PERSONNEL. Concurred in the House amendments to S. 1561, to amend the Federal Employees' Health Benefits Act, including a provision to eliminate the discrimination against married female employees who are required to pay more for their health benefits protection than are married male employees. This bill will now be sent to the President. pp. 4492-3
Sen. Muskie inserted an article comparing the civil servant's position with that of a businessman. p. 4507
4. PACKAGING. Sen. Hart urged enactment of S. 387, his bill to prohibit restraints of trade carried into effect through the use of unfair and deceptive methods of packaging or labeling certain consumer commodities. pp. 4505-6
5. RECLAMATION. Passed without amendment S. 2447, to authorize Interior to construct, operate, and maintain the Whitestone Coulee unit of the Chief Joseph Dam project, Wash. p. 4410
Passed as reported S. 2493, to authorize Interior to determine that certain costs of operating and maintaining Banks Lake and Potholes Reservoir on the Columbia Basin project for recreation purposes are nonreimbursable. pp. 4410-1
6. REPORTS. Received reports on the ACP program, trade agreements program, and research on desalting water. p. 4486
7. LEGISLATIVE PROGRAM. Sen. Mansfield announced that debate on the civil rights bill will begin Mon., Mar. 9. p. 4495
8. ADJOURNED until Mon., Mar. 9. p. 4509

HOUSE

9. FORESTRY. The Indian Affairs Subcommittee voted to report to the full Interior and Insular Affairs Committee H. R. 6287 (an identical bill S. 1565, has previously passed the Senate), to modernize timbering operations on the Indian reservations by permitting flexibility in harvesting practices on unallotted lands on Indian reservations. p. D179

complex demands of our expanding industrial society.

We are not, however, achieving this goal. Note the magnitude of the unemployment problem among young girls. In 1963, for example, young women had the Nation's highest unemployment rates. Young women between the ages of 18 and 20 had an unemployment rate of 15.2 percent; for women 14 to 17 years of age the unemployment rate was 16.2 percent. The greatest extent of unemployment in the entire Nation—31.9 percent—occurred among nonwhite women 18 and 19 years of age.

These are distressing statistics, Mr. President; they indicate that, despite our noble intentions, we have been neglecting countless thousands of young women. We must act promptly to end this neglect; otherwise, we will be forging the chain that links the deprivation of one generation to the next. The demands of human dignity; the demands of our democratic society; and the demands of a sound economy dictate that this cycle be swiftly broken.

Accordingly, Mr. President, I introduce, for appropriate reference, a bill to authorize Federal funds for grants to States and political subdivisions thereof, public and other nonprofit agencies, institutions, and organizations for paying part of the costs of establishing and operating work-experience programs designed to improve the employment opportunities of girls 14 through 21 years of age who are dropouts or unemployed and enable them to contribute more fully to society in their work or in their role as homemakers, mothers, and wives.

This measure provides the sponsoring entity with broad discretion and flexibility as to the type of program it develops. It is anticipated, for instance, that a program of homemaker training would be useful and appropriate for many young women.

Apart from developing competence in preparing meals, general housekeeping skills, proper child care, health hygiene, and other factors related to homemaking, such a work-experience program would enable these young girls to improve their job opportunities.

With some improvements in labor standards, there is no reason why household service should not be considered a dignified and responsible occupation. As indicated in a report from the President's Commission on the Status of Women, the role of household employment should not be overlooked:

The committee recommends that pilot programs for household service be developed and extended for the purpose of resolving the problems associated with the widespread need for household help and the need to standardize and upgrade household employment and expand opportunities for workers in this field. Such programs would * * * seek out both young and mature women interested in training.

As a corollary consideration, Mr. President, we must not overlook the increasingly serious child care problems of working mothers.

It is estimated that in 1962, over 8 million mothers of children under 18 were working full time in the United States. Of these 8 million women, more

than one-third had children between 1 and 6 years of age. The large majority of working mothers are in the labor force because of economic pressures. The mothers of 2½ million children are the sole support of their families.

Many women in our society are unable to function adequately in their homes, in their jobs, or in the community without some form of help during the day to provide care for their children. This is especially important in those cases where the mother is the sole support because of the death of the husband or because of a broken family. Given this shortage of day-care personnel, I am certain that a training program could be developed under this measure to train the young women for this occupation.

Mr. President, I have outlined but a few of the ways in which the bill I have introduced could assist our Nation's young women. Also important are the nationally known youth programs which, although they are not geared exclusively to the needs of women, illustrate the type of programs that could be developed under this bill.

The well-known Detroit job-upgrading program has been in operation for a number of years under the joint sponsorship of the Detroit public schools and the Detroit Youth Council. Last year about 1,000 dropouts were given specialized instruction to raise the level of employability.

In addition, students were instructed in general employment matters, such as the importance of developing personality traits helpful in holding jobs, the need to get along with coworkers, and an importance of reliability and work responsibility.

Similar in some respects to the Detroit program is a notable program in Chicago which illustrates how business can participate in a program to assist young people.

In cooperation with the Chicago Superintendent of Schools, officials of the Carson, Pirie, Scott & Co., a large Chicago department store, decided to undertake an experimental work-experience program with 59 young dropouts of varying mental abilities. For 3 weeks they received a nominal salary, attended orientation courses related to personal appearance and communication skills necessary for department store work. Thereafter, each youngster worked 3 days a week at the store as a salesclerk, stockroom workers, or clerical assistant. Two days a week they attend classes in a nearby office building where they received basic instruction in reading, speech, and mathematics.

The school system of Baltimore, Md., recently began operating six centers functioning under its Project HELP. Each center was located in a depressed neighborhood, has a staff of at least 4 persons, including 2 teachers, and a volunteer mother who is responsible for about 30 children aged 4 and 5.

These project centers are neither day-care centers nor nursery schools; rather they are educational programs that require 3 hours daily attendance in the case of half-day centers, and 6-hour daily attendance in the case of full-day cen-

ters. These programs are designed to provide pupils with the learning experiences they might otherwise miss, with special emphasis on the development of language and communication skills, and on the encouragement of articulation, expression, and curiosity.

Mr. President, similar programs could be geared to meet the unattended needs of our American women. I am confident that such an effort would focus the energy and idealism of local communities on an important, but neglected segment of our youth. This effort would enable future generations of American women to carry out the duties and responsibilities which are so critical to our complex industrial society.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 2606) to encourage the development of demonstration and pilot projects to provide young women with useful work experience and training, and for other purposes, introduced by Mr. WILLIAMS of New Jersey, was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

CONTINUING EDUCATION EXPENSE OF TEACHERS

Mr. HARTKE. Mr. President, in the effort which the Nation has made over the last few years to improve the quality of education, there has been a continuing stress on the need for upgrading teachers in their qualifications. Where in many States within memory of at least the older generation, and even more recently in some localities, it was possible for one to teach school with no more than a year of preparation beyond high school. But the 2-year teaching certificate has followed this scanty arrangement into the discard, and the areas where less than a full college degree as a requirement for teaching are rapidly shrinking. Indeed, the professional master's degree in education is becoming increasingly more of a necessity in the school systems of the Nation, and the number of those who continue to earn doctorates in this field continues to increase.

In fact, Mr. President, there are an increasing number of school districts in which there is a requirement that teachers maintain their skills and advance them by taking a minimum number of hours in refresher or other courses either in evening classes or in summer sessions in order to maintain their positions and qualify for advancement in the school system. For them, and for teachers generally, this is what may properly be considered a business expense, and it is one for which there is presently no allowance provided in the Internal Revenue Code.

Therefore I am introducing today a bill to amend the Internal Revenue Code to authorize and facilitate deduction by teachers of the expenses of education from gross income. The bill includes allowance of certain travel expense, and it provides a uniform method of proving entitlement to the deduction. It will also help stimulate and encourage more

teachers to undertake the costs of their further professional studies.

This bill, which has the backing of the National Education Association and other organizations concerned with educational matters, is the same as a bill which has been introduced into the House by Congresswoman MARTHA GRIFITHS as H.R. 3709. I believe it will remedy an inequity by making available on a uniform basis a deduction which is fully comparable with other deductions available as business expense. I hope that other Senators will join me in the sponsorship of this bill, and I ask that it may lie on the table for their signatures until the close of business on March 13, 1 week from today.

The PRESIDING OFFICER (Mr. BURDICK in the chair). The bill will be received and appropriately referred; and, without objection, the bill will lie on the desk, as requested by the Senator from Indiana.

The bill (S. 2609) to amend the Internal Revenue Code of 1954 to authorize and facilitate the deduction from gross income by teachers of the expenses of education (including certain travel) undertaken by them, and to provide a uniform method of proving entitlement to such deduction, introduced by Mr. HARTKE, was received, read twice by its title, and referred to the Committee on Finance.

FEDERAL METALLIC AND NONMETALLIC MINE SAFETY PROGRAM—CHANGE OF REFERENCE

Mr. METCALF. Mr. President, I ask unanimous consent that the bill, S. 1949, which is a mine safety bill, be rereferred from the Committee on Interior and Insular Affairs to the Committee on Labor and Public Welfare. On introduction, the bill was referred to the Committee on Interior and Insular Affairs. I make this request on behalf of the chairman of the committee, the Senator from Washington [Mr. JACKSON]. I ask unanimous consent that his statement may be printed in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR JACKSON

There is before the Committee on Interior and Insular Affairs the bill, S. 1949, which would establish a Federal metallic and non-metallic mine safety program with mandatory standards and enforcement provisions. This measure was sponsored by the Senator from Montana [Mr. METCALF] for himself and the Senator from Utah [Mr. MOSS].

As was stated by Senator METCALF when he introduced S. 1949, the bill is based in large part on the Federal Coal Mine Safety Act, and on the Longshoremen's and Harbor Workers' Safety Act. The subject matter of both of these statutes comes under the jurisdiction of the Committee on Labor and Public Welfare. Likewise, the subject matter of S. 1949, namely, health and safety, also is clearly within the purview of the Labor Committee.

It should be noted also that in the 87th Congress, there was enacted Public Law 87-300, which directed the Secretary of the Interior to make a study of health and safety conditions in metallic and nonmetallic mines. The bill that became this law was considered and reported by the Labor Com-

mittee. In compliance with Public Law 87-300, the Secretary of the Interior submitted a study and report to the Congress in November, and this report was properly referred to the committee that had considered the enabling legislation, that is, the Labor Committee.

Under the foregoing circumstances, Mr. President, I believe the bill S. 1949 should be re-referred from the Committee on Interior and Insular Affairs to the Committee on Labor and Public Welfare, and I ask unanimous consent that this be done.

Mr. ALLOTT. Mr. President, I should like to inquire as to the reasons for requesting a change of reference.

Mr. METCALF. Under rule XXV the committee which has jurisdiction over the welfare of miners is the Committee on Labor and Public Welfare, instead of the Committee on Interior and Insular Affairs.

Mr. JACKSON. Mr. President, will the Senator yield?

Mr. METCALF. I yield.

Mr. JACKSON. It is my understanding that under the precedents and rulings heretofore made mine safety legislation has always been within the jurisdiction of the Committee on Labor and Public Welfare. I was so informed by the Parliamentarian, Mr. Watkins, when I checked the matter with him today.

Mr. ALLOTT. It is true that bills in this area have been referred to the Committee on Labor and Public Welfare, even though they properly belong in the Committee on Interior and Insular Affairs. I wonder if the Senator would withhold his request until I have an opportunity to look into the matter.

Mr. METCALF. I am glad to withhold the request.

Mr. METCALF subsequently said: Mr. President, I renew the request previously made with respect to S. 1949.

The PRESIDING OFFICER. Without objection, it is so ordered.

APPOINTMENTS BY THE PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. On behalf of the President pro tempore, the Chair announces the appointment of the Senator from New Mexico [Mr. ANDERSON] and the Senator from New York [Mr. KEATING] as members on the part of the Senate to the Commission of Relationship with Puerto Rico, established by Public Law 88-271, approved February 20, 1964.

HIGHER EDUCATION STUDENT ASSISTANCE ACT OF 1965—ADDITIONAL COSPONSORS OF BILL

Mr. HARTKE. Mr. President, at its next printing, I ask unanimous consent that the names of Senators BAYH, CLARK, GRUENING, HUMPHREY, LONG of Louisiana, LONG of Missouri, MCGEE, MCINTYRE, MUSKIE, RANDOLPH, and SMATHERS be added as cosponsors of the bill (S. 2490) to provide assistance for students in higher education by increasing the amount authorized for loans under the National Defense Education Act of 1958 and by establishing programs for scholarships, loan insurance, and work study.

The PRESIDING OFFICER. Without objection, it is so ordered.

RESCHEDULING OF HEARING ON NOMINATION OF HOWARD C. BRATTON TO BE U.S. DISTRICT JUDGE, DISTRICT OF NEW MEXICO

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, I desire to give notice that the Hearing scheduled for Thursday, March 12, 1964, at 10:30 a.m., on the nomination of Howard C. Bratton, of New Mexico, to be U.S. district judge for the district of New Mexico, vice Waldo H. Rogers, deceased, has been rescheduled for Friday, March 13, 1964, at 10:30 a.m., in room 2228, New Senate Office Building.

At the indicated time and place persons interested in the hearing may make such representations as may be pertinent.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Appendix, as follows:

By Mr. SYMINGTON:

Address delivered by Hon. Eugene M. Zuckert, Secretary of the Air Force, before the Harvard Business School Club of St. Louis, Mo., on February 26, 1964.

By Mr. THURMOND:

Editorial entitled "Hypocrisy and Fraud," published in the Charleston (S.C.) News and Courier of February 20, 1964.

Editorial entitled "The Wolf in 'Rights' Clothing," published in the Augusta (Ga.) Chronicle on March 3, 1964.

Editorial entitled "Secularism on the March," published in the Shelby (N.C.) Daily Star, on February 25, 1964.

Column entitled "The Real Culprits in Vietnam: U.S. Viewed as Falling to Face Up to Aggressions of Peking, Moscow," written by David Lawrence, published in the Evening Star, Washington, D.C., on March 5, 1964.

Broadcast entitled "The Civil Rights Bill—A Program for Legalized Wrongs," a radio discussion between Mr. Loyd Wright, past president of the American Bar Association, and Dean Clarence Manion, on February 23, 1964.

By Mr. YARBOROUGH:

Editorial entitled "Chandler's New Spirit," published in the Athens Weekly Review, Chandler, Tex., on February 13, 1964.

By Mr. JAVITS:

Resolution of New York Board of Rabbis relating to situation of Jews in other countries.

By Mr. BYRD of Virginia:

Letter addressed to him, written by Mr. John C. Lynn, legislative director of the American Farm Bureau Federation, in opposition to H.R. 8864, International Coffee Agreement Act of 1963.

AMENDMENT OF FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959

Mr. JOHNSTON. Mr. President, the Senate passed a bill (S. 1561) which went to the House and had some little amendments put on it. I wonder if we can have the Senate agree to those amendments, and take them up at this time.

Mr. MANSFIELD. Very well.

Mr. JOHNSTON. Mr. President, I ask that the Chair lay before the Senate the amendments of the House of Representatives to the bill (S. 1561). All the members of the committee approved the amendments.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1561) to amend the Federal Employees Health Benefits Act of 1959, which were, to strike out all after the enacting clause and insert:

That the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3001-3014) is hereby amended as follows:

(1) Section 2(c)(3) (5 U.S.C. 3001(c)(3)) is amended by striking out "as a result of injury sustained or illness contracted on or after such date of enactment".

(2) Section 2(c)(4) (5 U.S.C. 300(c)(4)) is amended by striking out "on account of injury sustained or illness contracted on or after such date of enactment".

(3) Section 2(d) (5 U.S.C. 3001(d)) is amended—

(A) by inserting "foster child," immediately following "stepchild"; and

(B) by striking out "nineteen" wherever occurring therein and inserting in lieu thereof "twenty-one".

(4) Section 2(e) (5 U.S.C. 3001(e)) is repealed.

(5) Section 3(b)(1) (5 U.S.C. 3002(b)(1)) is amended—

(A) by striking out "whichever is shorter, or"; and

(B) by inserting in lieu thereof "or (C) the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1964, and ending with the date on which he becomes an annuitant, whichever is shortest, or".

(6) Section 3 (5 U.S.C. 3002) is amended by adding at the end thereof the following new subsection:

"(g) Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before December 31, 1964, and under such other conditions of eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan described in section 4, either as an individual or for self and family."

(7) Section 6(d) (5 U.S.C. 3005(d)) is amended by adding at the end thereof the following new sentence: "The Commission may terminate the contract of any carrier effective at the end of a contract term, if the Commission finds that at no time during the preceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan."

(8) Section 6(f) (5 U.S.C. 3005 (f)) is amended by striking out "on such terms or conditions as are prescribed by the carrier and approved by the Commission".

(9) Section 6(g) (5 U.S.C. 3005(g)) is amended by striking out "at the option of the employee or annuitant,".

(10) Section 7(a)(1) (5 U.S.C. 3006(a)(1)) is amended—

(A) by striking out the comma at the end of clause (A) thereof and inserting "and" in lieu of such comma; and

(B) by striking out "(other than as provided in clause (C) of this paragraph), and

(C) not less than \$1.75 or more than \$2.50 biweekly for a female employee or annuitant enrolled for self and family including a nondependent husband".

(11) Section 7(a)(2) (5 U.S.C. 3006(a)(2)) is amended to read as follows:

"(2) For an employee or annuitant enrolled in a plan described under section 4 (3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge."

(12) Section 8(b) (5 U.S.C. 3007(b)) is amended by inserting immediately after the first sentence thereof the following new sentences: "The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term immediately preceding the contract term in which the transfer is made."

(13) Section 8 (5 U.S.C. 3007) is amended by adding at the end thereof the following new subsection:

"(d)(1) Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act."

"(2) Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination."

(14) Section 10(c) (5 U.S.C. 3009(c)) is amended to read as follows:

"(c) Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted may, at his option, enroll as a new employee or have his coverage restored, with appropriate adjustments made in contributions and claims, to the same extent and effect as though such removal or suspension had not taken place."

SEC. 2. Paragraphs (4), (10), and (11) of the first section of this Act shall become effective on the first day of the first pay period which begins at least ninety days after the date of enactment of this Act.

And to amend the title so as to read: "An Act to amend the Federal Employees Health Benefits Act of 1959 to remove certain inequities in the application of such Act, to improve the administration thereof, and for other purposes."

Mr. JOHNSTON. Mr. President, the House amendments to S. 1561 consists of certain technical changes to which we do

not object and only one substantive change.

The change provides for the continuance of health benefits coverage under an employee's family enrollment for unmarried children up to the age of 21 years. The present age limit is 19 years. Under the amendment, it is immaterial whether the child is or is not a student.

We have discussed this amendment with John Macy and he advises that the Commission interposes no strong objection. The cost would not be a substantial one.

Mr. President, the amendments of the House are acceptable. I move that the Senate concur in the House amendments.

The motion was agreed to.

PAUL JAMES BRANAN

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 905, House bill 5306.

The PRESIDING OFFICER. The bill will be stated by title.

The CHIEF CLERK. A bill (H.R. 5306) for the relief of Paul James Branan.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the bill was considered, ordered to a third reading, read the third time, and passed.

AMENDMENT TO PUBLIC LAW 86-272, AS AMENDED, WITH RESPECT TO REPORTING DATE

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 906, H.R. 10051.

The PRESIDING OFFICER. The bill will be stated by title.

The CHIEF CLERK. A bill (H.R. 10051) to amend Public Law 86-272, as amended, with respect to the reporting date.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the bill was considered, ordered to a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 936), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

STATEMENT

Public Law 86-272, as amended, requires the Committee on the Judiciary of the House of Representatives and the Committee on Finance of the U.S. Senate, acting separately or jointly, or both, or any duly authorized subcommittees thereof, to "make full and complete studies of all matters pertaining to the taxation of interstate commerce by the States" and report to their respective Houses the results of such studies, together with their proposals for legislation on or before March 31, 1964.

The lack of detailed factual information on the actual operation of the existing system of State taxation, has required a major factfinding effort. This data has now been acquired, and the House Committee on the

Judiciary, acting through a special subcommittee, is engaged in preparing a report and recommendations based upon it. The extension of time provided in this bill will provide the additional time needed by the committee to complete its work.

The Senate Committee on Finance is of the view that this extension is necessary and desirable and commends this bill to the Senate for its favorable consideration.

WILLIAM L. BERRYMAN

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 893, H.R. 7491, for the relief of William L. Berryman.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 7491) for the relief of William L. Berryman.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the bill was considered, ordered to a third reading, read the third time, and passed.

CLAIM OF R. GORDON FINNEY, JR.

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 876, House bill 1761.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 1761) to confer jurisdiction on the Court of Claims to hear, determine, and render judgment upon the claim of R. Gordon Finney, Jr.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the bill was considered, ordered to a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 901), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to confer jurisdiction upon the U.S. Court of Claims to hear, determine, and render judgment upon the claim of R. Gordon Finney, Jr., for back salary said to have been lost as the result of the alleged improper application by the National Park Service of the Selective Training and Service Act of 1940, as amended.

STATEMENT

The facts and justification surrounding this claim are contained in House Report 515 on H.R. 1761, and are as follows:

"The Civil Service Commission reports that Mr. Finney was first hired by the National Park Service on July 10, 1933. He served in various capacities until May 7, 1942, when he was furloughed for military duty. The documents reflecting personnel actions taken during the period 1933-42 list Mr. Finney as an employee of the National Park Service, but show that funds for his position came from the Civilian Conservation Corps and its predecessor agency, Emergency Conservation

Work. Mr. Finney's last position before he went into military service was Chief, Fiscal Division, region III headquarters, National Park Service. While on military furlough, he was accorded permanent civil service status under the provisions of the Ramspeck Act.

"Shortly before Mr. Finney was discharged from the Armed Forces early in 1946, he contacted several officials of the National Park Service in an effort to obtain restoration to the position he previously held. A letter dated February 21, 1946, from the Assistant Director of the National Park Service informed Mr. Finney that he had no statutory reemployment rights "because the Attorney General has ruled that for the purposes of the Selective Training and Service Act CCC employees occupied temporary positions." The same opinion was expressed in a letter to Mr. Finney dated March 6, 1946, from the personnel officer of the National Park Service.

"In April 1946, Mr. Finney accepted private employment and, with the exception of brief employment with the Department of the Army in 1950, did not return to the Federal service until May 27, 1953, when he was given an indefinite appointment with the National Park Service. He has served continuously with that agency since 1953.

"The determination that Mr. Finney was not entitled to mandatory reemployment rights was based on an opinion of the Attorney General (40 Op. Atty. Gen. 364) dated May 30, 1945, which stated that employees of the Civilian Conservation Corps, as well as those employees of other agencies who were engaged solely in the work of the Civilian Conservation Corps, including those who had permanent civil service status, were 'temporary' within the meaning of section 8(b) of the Selective Training and Service Act. Section 8(b) limited mandatory reemployment rights to those persons who occupied other than temporary positions.

"On April 8, 1946, a little over a month after Mr. Finney's reinstatement was denied, another Attorney General's opinion (40 Op. Atty. Gen. 440) modified the earlier ruling by according reemployment eligibility to those persons who had previously acquired civil service status regardless of whether they had been employed by a temporary agency. Our review of available files fails to show that either Finney or the National Park Service took any action to effect reinstatement during the period directly following the issuance of the 1946 opinion.

"The whole matter lay dormant from February 1946 until December 1960, when Mr. Finney requested the Civil Service Commission to grant him retirement credit from the time he left military service until he was reemployed by the National Park Service in 1953. He based his request on the failure of the National Park Service to restore him to his position after his discharge from military service, and he cited 40 Opinions Attorney General 440 in support of his claim. On April 6, 1961, the Bureau of Retirement and Insurance ruled against Mr. Finney on the ground that there was no legal basis for granting retirement credit for the time he was not a Federal employee and that he is not otherwise entitled to such credit. This decision was sustained on appeal to the Commission's Board of Appeals and Review.

"On June 26, 1961, Mr. Finney wrote to the Commission requesting restoration under the provisions of the Selective Training and Service Act to a position of like seniority, status, and pay, had he been employed continuously since his induction into the Army in 1942. Mr. Finney was informed by letter of November 24, 1961, that 'his delay of 15 years or more constitutes an unwarranted and unreasonable delay' and that accordingly the Commission would not entertain an appeal for such restoration.

"At a hearing held on June 19, 1963, before the subcommittee to which the bill was assigned, Mr. Finney testified that he had not been notified by the National Park Service of the new ruling by the Attorney General which interpreted the law as granting him reemployment rights. Records of the Department of the Interior and Civil Service Commission contain no indication that any effort was made to contact Mr. Finney in the matter. Mr. Finney stated that he learned accidentally of the new ruling several years after his return to the Park Service. Immediately thereupon he applied to the Civil Service Commission for retirement credit from the time he left military service until he was reemployed by the Park Service. The Commission, as stated previously, ruled against Mr. Finney on the ground that there was no legal basis for granting retirement credit since he was not a Federal employee for the period concerned. Subsequently Mr. Finney filed a request for restoration under the provisions of the Selective Service and Training Act to a position of like seniority, status, and pay, had he been employed continuously since his induction into the Army. The Civil Service Commission held that the delay of 15 years or more constituted an unwarranted and unreasonable delay and so an appeal would not be entertained.

"It appears to the committee that while the rulings on Mr. Finney's claim by the Civil Service Commission may be technically and legally correct, his case involves equitable considerations of some merit. To say his claim was unreasonably delayed when it was filed promptly upon receipt of information concerning the reversal of interpretation by the Attorney General, coupled with failure of the agency to make any attempt to notify Mr. Finney of the favorable ruling, seems unduly harsh. Mr. Finney testified that he has been advised his position was unique and there were no others who were known to be in the same category. He stated that he was the only one in his region of the Park Service who was refused reemployment. Mr. Finney is scheduled to receive a disability retirement in the near future. Under these circumstances the committee considers a determination of the merits of his claim by the court to be justified, and so recommends the bill be considered favorably."

After consideration of all of the foregoing, the committee concurs in the action of the House of Representatives and recommends that the bill, H.R. 1761, be considered favorably.

Attached hereto and made a part hereof are reports submitted to the House Judiciary Committee by the Civil Service Commission, the Department of the Interior, and the Department of Justice on this legislation.

ORDER OF BUSINESS

Mr. DIRKSEN. Mr. President, at this point I should like to ask the majority leader, first, whether he has any order with respect to adjournment tonight; second, with respect to the weekend; and third, what the schedule will be starting on Monday and what time the Senate will meet on Monday.

ORDER FOR ADJOURNMENT TO MONDAY

Mr. MANSFIELD. Mr. President, in response to the questions raised by the distinguished minority leader, I ask unanimous consent that when the Senate concludes its business today, it ad-

Public Law 88-284
88th Congress, S. 1561
March 17, 1964

An Act



To amend the Federal Employees Health Benefits Act of 1959 to remove certain inequities in the application of such Act, to improve the administration thereof, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Employees Health Benefits Act of 1959 (5 U.S.C. 3001-3014) is hereby amended as follows:

(1) Section 2(c)(3) (5 U.S.C. 3001(c)(3)) is amended by striking out "as a result of injury sustained or illness contracted on or after such date of enactment".

(2) Section 2(c)(4) (5 U.S.C. 3001(c)(4)) is amended by striking out "on account of injury sustained or illness contracted on or after such date of enactment".

(3) Section 2(d) (5 U.S.C. 3001(d)) is amended—

(A) by inserting ", foster child," immediately following "step-child"; and

(B) by striking out "nineteen" wherever occurring therein and inserting in lieu thereof "twenty-one".

(4) Section 2(e) (5 U.S.C. 3001(e)) is repealed.

(5) Section 3(b)(1) (5 U.S.C. 3002(b)(1)) is amended—

(A) by striking out "whichever is shorter, or"; and

(B) by inserting in lieu thereof "or (C) the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1964, and ending with the date on which he becomes an annuitant, whichever is shortest, or".

(6) Section 3 (5 U.S.C. 3002) is amended by adding at the end thereof the following new subsection:

"(g) Any annuitant (including an individual receiving monthly compensation as a result of injury sustained prior to the effective date specified in section 16 and who would be an annuitant if the injury or illness had been sustained or contracted on or after that date) who at the time he became an annuitant shall have been enrolled in a health benefits plan under this Act and who at the time he became an annuitant was ineligible to continue his enrollment may, upon his application before December 31, 1964, and under such other conditions of eligibility as the Commission may by regulation prescribe, prospectively enroll in an approved health benefits plan described in section 4, either as an individual or for self and family."

(7) Section 6(d) (5 U.S.C. 3005(d)) is amended by adding at the end thereof the following new sentence: "The Commission may terminate the contract of any carrier effective at the end of a contract term, if the Commission finds that at no time during the preceding two contract terms did the carrier have three hundred or more employees and annuitants (exclusive of family members) enrolled for its plan."

(8) Section 6(f) (5 U.S.C. 3005(f)) is amended by striking out "on such terms or conditions as are prescribed by the carrier and approved by the Commission".

(9) Section 6(g) (5 U.S.C. 3005(g)) is amended by striking out "at the option of the employee or annuitant".

(10) Section 7(a)(1) (5 U.S.C. 3006(a)(1)) is amended—

(A) by striking out the comma at the end of clause (A) thereof and inserting "and" in lieu of such comma; and

(B) by striking out "(other than as provided in clause (C) of this paragraph), and (C) not less than \$1.75 or more than \$2.50

Federal Employees Health Benefits Act of 1959, amendment.
73 Stat. 708.

Repeal.

78 STAT. 164.
78 STAT. 165.

Enrollment eligibility.
5 USC 3001 note.

5 USC 3003.

Contract terminations, conditions.

biweekly for a female employee or annuitant enrolled for self and family including a nondependent husband".

(11) Section 7(a)(2) (5 U.S.C. 3006(a)(2)) is amended to read as follows:

Government contributions.
5 USC 3003.

"(2) For an employee or annuitant enrolled in a plan described under section 4(3) or (4) for which the biweekly subscription charge is less than twice the Government contribution established under paragraph (1) of this subsection, the Government contribution shall be 50 per centum of the subscription charge."

Contingency reserve.

(12) Section 8(b) (5 U.S.C. 3007(b)) is amended by inserting immediately after the first sentence thereof the following new sentences: "The Commission, from time to time and in such amounts as it considers appropriate, may transfer unused funds for administrative expenses to the contingency reserves of the plans then under contract with the Commission. When funds are so transferred, each contingency reserve shall be credited in proportion to the total amount of the subscription charges paid and accrued to the plan for the contract term immediately preceding the contract term in which the transfer is made."

(13) Section 8 (5 U.S.C. 3007) is amended by adding at the end thereof the following new subsection:

Reserve funds, transfer.

"(d)(1) Whenever the assets, liabilities, and membership of employee organizations sponsoring or underwriting plans approved under section 4(3) have been or are hereafter merged, the assets (including contingency reserves) and liabilities of the plans sponsored or underwritten by the merged organizations shall, at the beginning of the contract term next following the date of the merger or enactment of this subsection, be transferred to the plan sponsored or underwritten by the successor organization. Each employee or annuitant hereafter affected by a merger shall also be transferred to the plan sponsored or underwritten by the successor organization unless he enrolls in another plan under this Act.

78 STAT. 165.
78 STAT. 166.

"(2) Except as provided in paragraph (1) of this subsection, whenever a plan described under section 4(3) or 4(4) is or has been discontinued under this Act, the contingency reserve of that plan shall be credited to the contingency reserves of the plans continuing under this Act for the contract term following that in which termination occurs, each reserve to be credited in proportion to the amount of the subscription charges paid and accrued to the plan for the year of termination."

(14) Section 10(c) (5 U.S.C. 3009(c)) is amended to read as follows:

Reinstatement.

"(c) Any employee enrolled in a plan under this Act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified or unwarranted may, at his option, enroll as a new employee or have his coverage restored, with appropriate adjustments made in contributions and claims, to the same extent and effect as though such removal or suspension had not taken place."

Effective date.

SEC. 2. Paragraphs (4), (10), and (11) of the first section of this Act shall become effective on the first day of the first pay period which begins at least ninety days after the date of enactment of this Act.

Approved March 17, 1964.

(over)

LEGISLATIVE HISTORY:

HOUSE REPORT No. 1142 (Comm. on Post Office & Civil Service).

SENATE REPORT No. 642 (Comm. on Post Office & Civil Service).

CONGRESSIONAL RECORD:

Vol. 109 (1963): Nov. 15, considered and passed Senate.

Vol. 110 (1964): Mar. 2, considered and passed House, amended.

Mar. 6, Senate agreed to House amendments.

